

NEW ISSUE - REFUNDING
BOOK-ENTRY ONLY

RATING: "Standard & Poors: AAA Insured"
(See "RATING" herein)

In the opinion of Barnes & Thornburg, Indianapolis, Indiana ("Bond Counsel"), under existing laws, interest on the Series 2004 B Bonds (as hereafter defined) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2004 B Bonds. In the opinion of Bond Counsel under existing laws, interest on the Series 2004 B Bonds is exempt from income taxation in the State of Indiana, except for the financial institutions tax. See "TAX MATTERS" and Appendix D herein.

\$17,590,000
Indiana Bond Bank
Special Program Refunding Bonds, Series 2004 B
(Hendricks County Redevelopment Authority, Pittsboro Project)

Dated: Date of Delivery

Due: as shown on the inside cover

The Indiana Bond Bank Special Program Refunding Bonds, Series 2004 B (Hendricks County Redevelopment Authority, Pittsboro Project) (the "Series 2004 B Bonds") will bear interest from their date to their respective maturities in the amounts and at the rates set forth on the inside front cover. The Series 2004 B Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2004 B Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2004 B Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2004 B Bonds. Interest on the Series 2004 B Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2004. The principal of, redemption premium, if any, and interest on the Series 2004 B Bonds will be paid directly to DTC by The Bank of New York Trust Company, N.A., Indianapolis, Indiana, as trustee (the "Trustee") under the Indenture, as defined and described herein, so long as DTC or its nominee is the registered owner of the Series 2004 B Bonds. The final disbursement of such payments to the Beneficial Owners of the Series 2004 B Bonds will be the responsibility of the Direct Participants and the Indirect Participants, all as defined and more fully described herein under the caption "THE SERIES 2004 B BONDS-Book-Entry-Only System."

The Series 2004 B Bonds are issued by the Indiana Bond Bank (the "Bond Bank") for the principal purposes of (i) providing funds for: (a) the advance refunding of the Refunded Bonds; and (b) the purchase of the Series 2004 B Qualified Obligations; (ii) paying a portion of the interest on the Series 2004 B Bonds due on August 1, 2004; and (iii) paying Costs of Issuance including the premiums for the Series 2004 B Bond Insurance Policy and the Series 2004 B Debt Service Reserve Fund Credit Facility to FINANCIAL SECURITY ASSURANCE INC.

Certain of the Series 2004 B Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption prior to maturity as described herein under the caption "THE SERIES 2004 B BONDS-Redemption."

The Series 2004 B Bonds are limited obligations of the Bond Bank payable solely out of the revenues and funds of the Bond Bank pledged therefor under the Indenture. The Series 2004 B Bonds do not constitute a debt, liability or loan of the credit of the State of Indiana (the "State") or any political subdivision thereof, including the Qualified Entity under the constitution and laws of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof, including the Qualified Entity. The source of payment of, and security for, the Series 2004 B Bonds are more fully described herein. The Bond Bank has no taxing power.

(A detailed maturity schedule is set forth on the inside cover)

The scheduled payment of principal of and interest on the Series 2004 B Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2004 B Bonds by FINANCIAL SECURITY ASSURANCE INC.



The Series 2004 B Bonds are offered when, as and if issued by the Bond Bank and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed upon for the Bond Bank by counsel for the Issuer, Bingham McHale LLP, Indianapolis, Indiana, for the Qualified Entity by its bond counsel, Bose McKinney & Evans LLP, Indianapolis, Indiana, and its counsel, Steuerwald Zielinski & Witham, Danville, Indiana, and for the Underwriters by their counsel, Krieg DeVault LLP, Indianapolis, Indiana. It is expected that the Series 2004 B Bonds in definitive form will be available for delivery to DTC in New York, New York on or about March 18, 2004.



This cover page contains information for reference only and is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

March 3, 2004

Maturity Schedule
\$17,590,000
Indiana Bond Bank
Special Program Refunding Bonds, Series 2004 B
(Hendricks County Redevelopment Authority, Pittsboro Project)

\$13,210,000 Serial Bonds

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
February 1, 2005	\$ 325,000	2.000%	1.130%	100.750%
February 1, 2006	780,000	2.000%	1.350%	101.195%
February 1, 2007	810,000	2.000%	1.690%	100.863%
February 1, 2008	835,000	2.250%	2.090%	100.590%
February 1, 2009	790,000	3.500%	2.400%	105.024%
February 1, 2010	835,000	4.000%	2.630%	107.403%
February 1, 2011	880,000	3.000%	2.880%	100.741%
February 1, 2012	925,000	3.250%	3.140%	100.759%
February 1, 2013	840,000	5.000%	3.340%	112.648%
February 1, 2014	895,000	4.750%	3.530%	110.088%
February 1, 2015	955,000	3.500%	3.670%	98.484%
February 1, 2016	1,000,000	5.000%	3.750%*	110.227%
February 1, 2019	1,085,000	5.000%	4.010%*	107.999%
February 1, 2020	1,155,000	4.875%	4.110%*	106.150%
February 1, 2021	1,100,000	5.000%	4.200%*	106.404%

\$1,980,000 5.000% Term Bonds due February 1, 2018, Yield 3.920%*, Price 108.764%

\$2,400,000 4.250% Term Bonds due February 1, 2023, Yield 4.480%, Price 97.086%

*Yield calculated to first optional redemption date (February 1, 2014)

INDIANA BOND BANK

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Clark H. Byrum, Vice Chairman
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Indianapolis, Indiana

Escrow Agent

The Bank of New York Trust Company, N.A.
Indianapolis, Indiana

Indiana Bond Bank Counsel

Bingham McHale LLP
Indianapolis, Indiana

Bond Counsel

Barnes & Thornburg
Indianapolis, Indiana

Financial Advisor

Crowe Chizek and Company LLC
Indianapolis, Indiana

No dealer, broker, salesperson or other person has been authorized by the Bond Bank or by the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2004 B Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2004 B Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the information presented herein since the date hereof.

Other than with respect to information concerning Financial Security Assurance Inc. (“Financial Security”) contained under the caption “Bond Insurance” and Appendix G “Specimen Municipal Bond Insurance Policy” herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2004 B Bonds; or (iii) the tax exempt status of the interest on the Series 2004 B Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2004 B BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOND BANK AND THE TERMS OF THE OFFERING, INCLUDING THE MERIT AND RISK INVOLVED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE SERIES 2004 B BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

\$17,590,000
Indiana Bond Bank
Special Program Refunding Bonds, Series 2004 B
(Hendricks County Redevelopment Authority, Pittsboro Project)

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the "Bond Bank") of its \$17,590,000 aggregate principal amount of Special Program Refunding Bonds, Series 2004 B (Hendricks County Redevelopment Authority, Pittsboro Project) (the "Series 2004 B Bonds"). The Series 2004 B Bonds are authorized by Resolutions adopted by the Board of Directors of the Bond Bank on December 9, 2003 and January 14, 2004, (collectively, the "Resolution"), and are issued pursuant to the provisions of a Trust Indenture dated as of March 1, 2004, between the Bond Bank and the Trustee (as hereinafter defined) (the "Indenture"), and the laws of the State of Indiana, including particularly Indiana Code 5-1.5 (as amended from time to time, the "Act"). The Bank of New York Trust Company, N.A., Indianapolis, Indiana, is the trustee, registrar and paying agent (the "Trustee") under the Indenture.

The proceeds from the sale of the Series 2004 B Bonds will be used to (i) provide funds for: (a) the advance refunding of the Refunded Bonds; and (b) the purchase of the Series 2004 B Qualified Obligations; (ii) fund the Debt Service Reserve Fund in an amount equal to the Reserve Requirement; (iii) pay a portion of the interest on the Series 2004 B Bonds due on August 1, 2004; and (iv) pay Costs of Issuance including the premiums for the Series 2004 B Bond Insurance Policy and the Series 2004 B Debt Service Reserve Fund Credit Facility to Financial Security Assurance Inc. and the underwriters' discount. See the caption "PLAN OF FINANCING."

Upon the delivery of the Series 2004 B Bonds and receipt of the proceeds thereof, the Bond Bank shall deliver to the Trustee a portion of the proceeds of the Series 2004 B Bonds, together with other moneys made available by the Bond Bank, which shall be deposited: (i) into the Bond Issuance Expense Account, in the amount of \$175,000.00 to pay Costs of Issuance (other than underwriter's discount retained by the Underwriters in the amount of \$114,335.00 and the premiums for the Series 2004 B Bond Insurance Policy and the Series 2004 B Debt Service Reserve Fund Credit Facility in the amounts of \$78,208.65 and \$37,644.85 respectively paid by the Underwriters directly to the Series 2004 B Bond Insurer for and on behalf of the Bond Bank); (ii) into the Escrow Account under the Escrow Agreement, in the amount of \$19,889,729.00, which will be used to redeem the Refunded Bonds and pay the costs of refunding; and (iii) into the General Account, the amount of \$332,254.85, a portion of which in the amount of \$291,968.26 will be used for payment to the Series 2004 B Qualified Entity in purchasing the Series 2004 B Qualified Obligations, and the remaining portion of which in the amount of \$40,286.59 for capitalized interest will be used to pay a portion of the interest on the Series 2004 B Bonds due on August 1, 2004 (as more fully described in this Official Statement under the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 B BONDS" and "PLAN OF FINANCING").

The Refunded Bonds were issued by the Bond Bank on May 1, 1997, pursuant to the Trust Indenture, dated as of May 1, 1997 (the "Prior Indenture"), between the Bond Bank and The Bank of New York Trust Company, N.A. (successor trustee to Fifth Third Bank of Central Indiana and successor registrar and paying agent to Fifth Third Bank) (the "Prior Trustee"), in the original aggregate principal amount of \$22,855,000, of which \$17,490,000 in principal amount is currently outstanding. The Refunded Bonds were issued to provide funds to be used: (i) to purchase the Lease Rental Revenue Bonds, Series 1997, issued by the Series 2004 B Qualified Entity on May 1, 1997 (the "1997 Qualified

Obligations”), in the original aggregate principal amount of \$22,855,000, of which \$17,490,000 in principal amount is currently outstanding; (ii) to pay the interest due on the Refunded Bonds through and including February 1, 2000; (iii) to fund the Debt Service Reserve Fund created pursuant to the Prior Indenture in an amount equal to the Reserve Requirement established pursuant to the Prior Indenture; (iv) to pay the initial fees owed to Canadian Imperial Bank of Commerce, New York Agency (the “Bank”), in connection with the issuance by the Bank of its irrevocable, direct pay letter of credit securing the Refunded Bonds, pursuant to the Reimbursement Agreement, dated as of May 1, 1997, between the Bank and the Bond Bank; and (v) to pay the costs of issuance of the Refunded Bonds.

The 1997 Qualified Obligations were issued by the Series 2004 B Qualified Entity on May 1, 1997, pursuant to the Trust Indenture, dated as of May 1, 1997 (the “Original Qualified Entity Indenture”), between the Series 2004 B Qualified Entity and The Bank of New York Trust Company, N.A. (successor trustee to Fifth Third Bank of Central Indiana and successor registrar and paying agent to Fifth Third Bank) (the “Qualified Entity Trustee”). The 1997 Qualified Obligations were issued to provide funds to be used: (i) to pay the costs of: (a) the acquisition, construction or furnishing of various infrastructure improvements and certain mill facilities and equipment in connection with the investment by Qualitech Steel Corporation of approximately \$219,500,000 in a steel mill facility (the “Steel Mill Facility”); and (b) the acquisition and construction of various water and sewer improvements in the Town of Pittsboro and certain improvements elsewhere in Hendricks County (collectively, the “Project”); and (ii) to pay the costs of issuance of the 1997 Qualified Obligations. Steel Dynamics, Inc. (“Steel Dynamics”), is now the owner of the Steel Mill Facility.

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument. Summaries of certain provisions of the Indenture and definitions of some of the capitalized words and terms used in this Official Statement are set forth in Appendix E and Appendix F. Terms not defined herein shall have the respective meanings ascribed thereto in the Indenture.

Information contained in this Official Statement with respect to the Bond Bank and the Qualified Entity and copies of the Indenture and the Qualified Entity Indenture (as hereinafter defined) may be obtained from the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204. The Bond Bank’s telephone number is (317) 233-0888.

THE SERIES 2004 B BONDS

General Description

The Series 2004 B Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2004 B Bonds will be dated as of the date of their delivery.

Interest on the Series 2004 B Bonds will be payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2004 (each an “Interest Payment Date”). The Series 2004 B Bonds will bear interest (calculated on the basis of a 30-day month and a 360-day year) at the rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. If a Series 2004 B Bond is authenticated on or prior to July 15, 2004, it shall bear interest from the date of delivery. Each Series 2004 B Bond authenticated after July 15, 2004, shall bear interest from the most recent Interest Payment Date to which interest has been paid on the date of authentication.

of such Series 2004 B Bond unless such Series 2004 B Bond is authenticated after a Record Date and on or before the next succeeding Interest Payment Date, in which event the Series 2004 B Bond will bear interest from such next succeeding Interest Payment Date.

When issued, all Series 2004 B Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests from DTC in the Series 2004 B Bonds will be made in book-entry-only form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Series 2004 B Bonds payments of the principal of and interest on the Series 2004 B Bonds will be made directly by the Trustee by wire transfer of funds to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC (the “DTC Participants”) will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners, as defined herein, of the Series 2004 B Bonds will be the responsibility of the Direct Participants and the Indirect Participants, as defined herein. See the heading, “Book-Entry-Only System” under this caption.

If DTC or its nominee is not the registered owner of the Series 2004 B Bonds, principal of and premium, if any, on all of the Series 2004 B Bonds will be payable at maturity upon the surrender thereof at the principal corporate trust office of the Trustee. Interest on the Series 2004 B Bonds, when due and payable, will be paid by check dated the due date mailed by the Trustee one business day prior to the due date (or, in the case of an owner of Series 2004 B Bonds in an aggregate principal amount of at least \$1,000,000, by wire transfer on such due date, upon written direction of such registered owner to the Trustee not less than five business days before the Record Date immediately prior to such Interest Payment Date, which direction shall remain in effect until revoked in writing by such owner) to the persons in whose names such Series 2004 B Bonds are registered, at their addresses as they appear on the bond registration books maintained by the Trustee on the Record Date, irrespective of any transfer or exchange of such Series 2004 B Bonds subsequent to such Record Date and prior to such Interest Payment Date unless the Bond Bank shall default in the payment of interest due on such Interest Payment Date.

Except as provided under “Book-Entry-Only System,” in all cases in which the privilege of exchanging or transferring Series 2004 B Bonds is exercised, the Bond Bank will execute and the Trustee will deliver Series 2004 B Bonds in accordance with the provisions of the Indenture. The Series 2004 B Bonds will be exchanged or transferred at the principal corporate trust office of the Trustee only for Series 2004 B Bonds of the same tenor and maturity. In connection with any transfer or exchange of Series 2004 B Bonds, the Bond Bank or the Trustee may impose a charge for any applicable tax, fee or other governmental charge incurred in connection with such transfer or exchange, which sums are payable by the person requesting such transfer or exchange.

Except as otherwise provided in the Disclosure Agreement and the State’s Disclosure Agreement, the person in whose name a Series 2004 B Bond is registered will be deemed and regarded as its absolute owner for all purposes and payment of principal thereof and interest thereon will be made only to or upon the order of the registered owner or its legal representative, but such registration may be changed as provided in the Indenture. All such payments shall be valid to satisfy and discharge the liability upon such Series 2004 B Bond to the extent of the sum or sums so paid.

Redemption

Optional Redemption. The Series 2004 B Bonds maturing on or after February 1, 2015, are subject to redemption prior to maturity, commencing February 1, 2014, and on any date thereafter, in whole or in part, at par, plus accrued interest to the redemption date.

Mandatory Redemption. The Series 2004 B Bonds (or any portion thereof in integral multiples of \$5,000 each) maturing on February 1 in each of the years 2018 and 2023 (the “Term Bonds”), are also subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, in accordance with the following schedule:

Term Bonds due February 1, 2018

<u>Date</u>	<u>Principal Amount</u>
February 1, 2017	\$ 960,000
February 1, 2018*	1,020,000

*Final maturity

Term Bonds due February 1, 2023

<u>Date</u>	<u>Principal Amount</u>
February 1, 2022	\$ 1,170,000
February 1, 2023*	1,230,000

*Final maturity

The Trustee shall credit against the mandatory sinking fund requirement for the Term Bonds as set forth above any Series 2004 B Bonds of such maturity delivered to the Trustee for cancellation or purchased for cancellation by the Trustee and canceled by the Trustee and not theretofore applied as a credit against any redemption obligation. Each Term Bond so delivered or canceled shall be credited by the Trustee at 100% of the principal amount thereof against the mandatory sinking fund obligation on such mandatory redemption date, and any excess of such amount shall be credited to future redemption obligations, and the principal amount of Series 2004 B Bonds of such maturity to be redeemed by operation of the mandatory sinking fund requirements shall be accordingly reduced; provided, however, the Trustee shall only credit such Series 2004 B Bonds to the extent such are received on or before 45 days preceding the applicable mandatory redemption date as set forth above.

Extraordinary Mandatory Redemption. The Series 2004 B Bonds are also subject to extraordinary mandatory redemption in whole or in part, at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from and to the extent that moneys are deposited in the Redemption Account from an extraordinary redemption of a Qualified Obligation or from proceeds received upon a default on a Qualified Obligation, unless such moneys can be invested at a yield calculated in accordance with the Code over any period of time ending on any subsequent Interest Payment Date which equals or exceeds the average interest rate on the Outstanding Series 2004 B Bonds; provided that, in the Opinion of Bond Counsel, such investment would not cause any of the Series 2004 B Bonds to be “arbitrage bonds” as defined in the Code or otherwise cause the interest on the Series 2004 B Bonds to be included in the gross income of the owners thereof for federal income tax purposes.

Cash Flow Certificate. Prior to any optional redemption or extraordinary mandatory redemption of any Series 2004 B Bonds, the Bond Bank will be required under the Indenture to deliver or to cause to be delivered to the Trustee a Cash Flow Certificate to the effect that, after giving effect to such redemption, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Notice of Redemption. In the case of redemption of the Series 2004 B Bonds, notice of the call for any such redemption identifying the Series 2004 B Bonds, or portions of Series 2004 B Bonds, to be redeemed will be given by mailing a copy of the redemption notice by first class, registered or certified mail not less than 30 days but not more than 45 days prior to the date fixed for redemption to the registered owner of the Series 2004 B Bonds to be redeemed at the address shown on the registration books of the Trustee. Failure to give such notice by mailing, or any defect thereof with respect to any Series 2004 B Bonds, shall not affect the validity of any proceedings for the redemption of any other Series 2004 B Bonds. All Series 2004 B Bonds so called for redemption shall cease to bear interest on the specified redemption date, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture, provided funds for their redemption are on deposit at the place of payment at that time.

Redemption Payments. Prior to the date fixed for redemption, there must be on deposit with the Trustee sufficient funds to pay the Redemption Price of the Series 2004 B Bonds called, together with accrued interest on the Series 2004 B Bonds to the redemption date.

Book-Entry-Only System

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2004 B Bonds. The Series 2004 B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2004 B Bond will be issued for each maturity of the Series 2004 B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over eighty-five countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of the Series 2004 B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004 B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2004 B Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2004 B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2004 B Bonds, except in the event that use of the book-entry system for the Series 2004 B Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2004 B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2004 B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2004 B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004 B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2004 B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2004 B Bonds, such as redemptions, defaults, and proposed amendments to the Series 2004 B Bond documents. For example, Beneficial Owners of Series 2004 B Bonds may wish to ascertain that the nominee holding the Series 2004 B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2004 B Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2004 B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2004 B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Series 2004 B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such

Participant and not of DTC (nor its nominee), the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. The payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2004 B Bonds at any time by giving reasonable notice to the Bond Bank or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2004 B Bond certificates are required to be printed and delivered.

10. The Bond Bank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2004 B Bonds certificates will be printed and delivered.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BOND BANK BELIEVES TO BE RELIABLE, BUT THE BOND BANK TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Discontinuation of Book-Entry-Only System

In the event that (i) the Bond Bank receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series 2004 B Bonds or (ii) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Series 2004 B Bonds, then the Bond Bank and the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Series 2004 B Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2004 B Bonds and to transfer the ownership of each of the Series 2004 B Bonds to such person or persons, including any other clearing agency, as the holder of such Series 2004 B Bonds may direct in accordance with the Indenture. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series 2004 B Bonds, will be paid by the Bond Bank.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 B BONDS

The Series 2004 B Bonds will be issued under and secured by the Indenture. The principal of, redemption premium, if any, and interest on any and all of the Series 2004 B Bonds, together with any Bonds that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2004 B Bonds (collectively, the "Bonds"), are payable from those revenues and funds of the Bond Bank which, together with the Qualified Obligations and all other qualified obligations pledged under the Indenture, are pledged pursuant to the Indenture for the benefit of the owners of the Bonds equally, ratably and without priority.

Neither the faith, credit nor taxing power of the State of Indiana (the "State") or any political subdivision thereof, including the Qualified Entity, is pledged to the payment of the principal of, redemption premium, if any, and interest on any of the Bonds. The Bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State or of any political subdivision thereof including the Qualified Entity. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act. The Bonds are issued and secured separately from any other obligations issued by the Bond Bank. The sources of payment of and security for the Bonds are more fully described below.

Under the Indenture, the Bonds are secured by a pledge to the Trustee of the Qualified Obligations and all principal and interest payments made or required to be made on the Qualified Obligations (the “Qualified Obligation Payments”), as described therein. In addition, the Indenture pledges to the payment of the Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the Funds and Accounts created by the Indenture (except for the Rebate Fund) and the accounts thereunder, together with investment earnings thereon and proceeds thereof (except to the extent transferred to the Rebate Fund from such Funds and Accounts under the Indenture), and all other funds, accounts and moneys to be pledged by the Bond Bank to the Trustee as security under the Indenture, to the extent of any such pledge. Under the Act and Indiana Code 5-1-14-4, such pledge is valid and binding from and after the date of delivery of the Series 2004 B Bonds under the Indenture and such Qualified Obligations and the Qualified Obligation Payments thereon shall be immediately subject to the lien of such pledge without any physical delivery of the payments or further act, and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, irrespective of whether such parties have notice thereof. The Qualified Obligation Payments with respect to the Qualified Obligations have been structured as of the date of issuance of the Series 2004 B Bonds to be sufficient along with earnings thereon, and other money in the Funds and Accounts under the Indenture and the earnings thereon, to pay the principal of and interest on the Series 2004 B Bonds when due.

The Qualified Obligations

From the proceeds of the Series 2004 B Bonds, the Qualified Obligations will be purchased by the Bond Bank and delivered to the Trustee, pursuant to the Qualified Entity Purchase Agreement (the “Qualified Entity Purchase Agreement”) by and between the Bond Bank and the Hendricks County Redevelopment Authority. The information set forth below has been supplied to the Bond Bank by the Qualified Entity.

The Qualified Obligations consist of \$17,590,000 in aggregate principal amount of Hendricks County Redevelopment Authority Lease Rental Revenue Refunding Bonds, Series 2004, payable from the lease rental payments due under the Lease Agreement, dated as of March 1, 1997, between the Qualified Entity and the Hendricks County Redevelopment Commission (“the Redevelopment Commission”), as supplemented and amended by the Addendum to Lease Agreement, dated May 1, 1997 (collectively, the “Original Lease Agreement”), between the Qualified Entity and the Redevelopment Commission, and the Amendment to Lease Agreement, to be entered into on the date of delivery of the Qualified Obligations to the Bond Bank (the “Amendment to Lease Agreement”), between the Qualified Entity and the Redevelopment Commission. The Qualified Obligations are securities to be purchased by the Bond Bank from proceeds of the Series 2004 B Bonds in accordance with the Qualified Entity Purchase Agreement. The proceeds of the Qualified Obligations will be used, together with other available funds, for the purpose of: (i) refunding the 1997 Qualified Obligations; (ii) funding the Lease Rental Reserve Account (as hereinafter defined) in an amount equal to the Qualified Entity Reserve Requirement; and (iii) paying the costs of issuance of the Qualified Obligations.

Provisions for Payment of the Qualified Obligations

The Qualified Obligations have been issued pursuant to the Original Qualified Entity Indenture, as supplemented and amended by the First Supplemental Trust Indenture, dated as of March 1, 2004, between the Series 2004 B Qualified Entity and the Qualified Entity Trustee (collectively, the “Qualified Entity Indenture”). The Qualified Entity will make the Qualified Obligation Payments on January 15 and July 15 of each year commencing July 15, 2004.

The principal of, premium, if any, and such interest on the Qualified Obligations are an obligation of the Qualified Entity payable from the Trust Estate (as defined in the Qualified Entity Indenture) pledged by the Qualified Entity to that purpose under the Qualified Entity Indenture. The primary source of moneys comprising the Trust Estate are payable from the lease rental payments due under the Original Lease Agreement, as supplemented and amended by the Amendment to Lease Agreement (collectively, the "Lease Agreement"). The Qualified Entity will receive the lease rental payments from the Redevelopment Commission under the Lease Agreement for the use and occupancy of (i) the land on which certain improvements in connection with facilities of Steel Dynamics are located, including all or a portion of a fume exhaust system, an administrative building, a locker room, eddy current testing equipment, a chemical laboratory, a metallurgical laboratory, a hot scarfer, water conditioning equipment and water cooling equipment, and (ii) the land on which certain Hendricks County (the "County") roads and the Town of Pittsboro, Indiana (the "Town") waterworks and sewers are located and the improvements currently existing and to be constructed thereon (such land and improvements, collectively the "Leased Property").

The lease rental payments under the Lease Agreement will be payable from the sources in the order of priority described below: (i) first, from the tax increment revenues derived from ad valorem taxes on taxable real property, Steel Dynamics' depreciable personal property and certain other taxable, depreciable property located in the Hendricks County Allocation Area No. 2 ("Allocation Area No. 2"), which is an Allocation Area (as hereinafter defined) established by the Redevelopment Commission; (ii) second, from the Lease Rental Reserve Account established pursuant to the Lease Agreement (the "Lease Rental Reserve Account") or any other legally available funds; and (iii) lastly, from the ad valorem property tax revenue derived from a special benefits tax imposed on all taxable property situated in the Hendricks County Redevelopment District.

Tax Increment Revenues. The tax increment revenues from Allocation Area No. 2 will be allocated and deposited in a separate allocation fund pursuant to the provisions of Indiana Code 36-7-14 (the "Redevelopment Statute"). Under the Redevelopment Statute, the Redevelopment Commission has the power to designate areas within its boundaries as a "Blighted Area" or an "Economic Development Area," and may adopt a declaratory resolution establishing such area as an "Allocation Area." The Redevelopment Commission established Allocation Area No. 2 as an Economic Development Area and an Allocation Area pursuant to a resolution adopted on July 8, 1996 (the "Declaratory Resolution").

Under the Redevelopment Statute, "Base Assessed Value" applies to real property and can apply to certain personal property. The Redevelopment Commission in its Declaratory Resolution included the following personal property in the Base Assessed Value for Allocation Area No. 2: (i) all depreciable personal property of Steel Dynamics (as assignee of Qualitech Steel Corporation) located in Allocation Area No. 2; and (ii) all other depreciable personal property located and taxable on the site of the Steel Mill Facility within Allocation Area No. 2, except for any such property owned by GATX Capital Corporation and Indiana Gas Company, Inc., or any of their successors or assigns. The foregoing personal property is hereinafter collectively referred to as the "Personal Property."

Thus, with respect to the real property and the Personal Property located in Allocation Area No. 2, Base Assessed Value is defined as: (i) the net assessed value of all the real property and the Personal Property in such Area as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the Declaratory Resolution, which in this case is March 1, 1996; plus (ii) to the extent that it is not included in clause (i), the net assessed value of property that is assessed as residential property under the rules of the Indiana Department of Local Government Finance, as finally determined for any assessment date after the effective date of the allocation provision of the Declaratory Resolution. Thereafter, the property taxes derived from the lesser of (i) the assessed value of the real property and the Personal Property in Allocation Area No. 2 for the assessment date with respect to which

an allocation and distribution is made or (ii) the Base Assessed Value must be allocated to, and when collected, paid into the funds of the respective taxing units. Property tax proceeds in excess of those derived from the Base Assessed Value (the “Tax Increment”) for Allocation Area No. 2, are then allocated to the Redevelopment Commission and paid into the allocation fund for Allocation Area No. 2, which has been pledged to the payment of the lease rental payments by the Redevelopment Commission to the Series 2004 B Qualified Entity under the Lease Agreement.

Lease Rental Reserve Account. Concurrently with the delivery of the Series 2004 B Bonds, the Lease Rental Reserve Account will be funded in an amount equal to the Qualified Entity Reserve Requirement.

Ad Valorem Special Benefits Tax. If it is necessary for the Redevelopment Commission to levy the ad valorem special benefits tax (the “SBT”) in order to pay the lease rental payments under the Lease Agreement, the Redevelopment Statute authorizes the Redevelopment Commission to levy the SBT to the extent necessary on all of the taxable property within the Redevelopment District. The Redevelopment District consists of all the territory in the County, except that within those municipalities that had created a redevelopment commission pursuant to the Redevelopment Statute on the date of issuance of the 1997 Qualified Obligation. In the County, the Towns of Brownsburg, Danville and Plainfield then had and currently have such redevelopment commissions, and thus are not included within the Redevelopment District.

The Redevelopment Commission is required to cause the SBT to be certified to the proper officers as other tax levies are certified and to the Hendricks County Auditor (the “County Auditor”) on or before September 20 of each year. The SBT shall be estimated and entered on the tax duplicate by the County Auditor and shall be collected and enforced by the County Treasurer in the same manner as other State and County taxes are estimated, collected and enforced. The SBT is reviewable by other bodies vested by law with authority to ascertain that the SBT levy is sufficient to raise the amount, together with other amounts legally available therefor, necessary to pay the lease rental payments when due under the Lease Agreement. See “Procedures for Property Assessment, Tax Levy and Collection” below for a discussion of how property taxes, such as the SBT, are levied and collected in the State.

No Assurance as to Sufficiency of Lease Rental Payments. Pursuant to the Original Lease Agreement, lease rental payments were due semiannually on June 30 and December 30 of each year, commencing on June 30, 2000. On each rental payment date from June 30, 2000, through and including December 31, 2003, the Tax Increment has been insufficient to pay the entire amount of the lease rental due. The Redevelopment Commission has paid the remainder of each of those payments from other legally available funds, no portion of which has consisted of proceeds generated by the SBT.

The table below sets forth the Tax Increment collected from Allocation Area No. 2 for the years in which taxes were payable in 1999 through 2003.

Payable Year	Tax Increment Collected	
2003	\$ 176,829	(1)
2002	2,002,193	(2)
2001	231,827	
2000	1,265,942	(3)
1999	773,806	

- (1) Due to delays in completing reassessment, 2003 property taxes were not due until January 30, 2004. Property tax collections are expected to be distributed on or about March 9, 2004.
- (2) Includes Delinquent Tax Judgments collected.
- (3) Amount represents approximately one-half of property taxes charged.

Source: Hendricks County Auditor

Qualitech Steel Corporation filed for bankruptcy protection in March 1999. The plant continued to operate during the bankruptcy proceedings. The bankruptcy court conducted an auction of the Qualitech assets in June 1999. Deeming the bids insufficient, a credit bid submitted by Qualitech's lenders was approved. The lenders assumed control of the plant and sought a buyer. Operations continued but reductions in plant employment began in late 2000 and the plant stopped operating in January 2001.

In September 2002, Steel Dynamics purchased the plant for \$45 million. Operating permits were received in 2003 and efforts to begin production have been initiated and have been reported ahead of schedule. Recent reports indicate employment at the plant has increased and that Steel Dynamics expects to invest \$75 million in plant improvements.

The County has granted Steel Dynamics tax abatement on those improvements (the "Improvements Subject to Abatement") for a 10-year period commencing in the year or years in which Improvements Subject to Abatement first become subject to assessment. Such tax abatement reduces the assessed value of the Improvements Subject to Abatement by 100% in their first year of assessment and such percentages decline each year thereafter until the reduction is 5% in the 10th and final year of abatement.

Thus, the Tax Increment generated by the Improvements Subject to Abatement for taxes payable in the year after their first year of assessment shall be zero, and, assuming that the assessed value of the Improvements Subject to Abatement and the aggregate of the property tax rates in Allocation Area No. 2 remain the same and that the entirety of the assessed value of the Improvements Subject to Abatement will be in excess of the Base Assessed Value in each of the next 10 years, the Tax Increment generated by the Improvements Subject to Abatement will gradually increase in each of the following years until the Tax Increment will equal the property taxes generated by 100% of the assessed value of the Improvements Subject to Abatement for taxes payable in the 11th year after their first year of assessment. There can be no assurance, however, that such assumptions will remain true throughout the entirety of any such 10-year period.

Under the Lease Agreement, lease rental payments will continue to be due semiannually on June 30 and December 30 of each year and will commence on June 30, 2004. Although the Qualified Entity anticipates that the Tax Increment will continue to be insufficient in the next several years to pay the entirety of the lease rental payments due under the Lease Agreement, it anticipates that the Redevelopment Commission will continue to rely primarily on other legally available funds to pay the shortfalls in those lease rental payments. If, however, on the second business day in July, beginning in 2004, the amount on deposit in the Lease Rental Reserve Account is less than the Qualified Entity Reserve Requirement, then on such second business day in July or when the County prepares its budget, if later, the Redevelopment Commission shall estimate the amount of the Tax Increment expected to be collected in the subsequent calendar year. To the extent that the Tax Increment is not expected to be available on the dates on which lease rental payments are due under the Lease Agreement in the following calendar year in amounts sufficient to make such payments, the Redevelopment Commission shall levy the SBT in an amount sufficient, together with the Tax Increment expected to be available on the dates on

which lease rentals are due under the Lease Agreement in the subsequent year, to produce the necessary funds with which to pay the rentals provided for in the Lease Agreement on their due dates.

In addition, if the Lease Rental Reserve Account has not been restored to the Qualified Entity Reserve Requirement by August 15 in any such year, the Redevelopment Commission shall determine the difference between the Qualified Entity Reserve Requirement and the amount on deposit in the Lease Rental Reserve Account as of such August 15 (the "Shortfall"). Thereupon, the Redevelopment Commission shall take the necessary steps to increase the levy of the SBT to be collected in the following year in an amount at least equal to the Shortfall (the "Additional SBT"). The Additional SBT will upon receipt be deposited in the Lease Rental Reserve Account.

Under certain circumstances, the Redevelopment Commission may not be able to levy the Additional SBT in an amount equal to the Shortfall, because the Lease Agreement provides that the aggregate amount of the SBT and the Additional SBT levied for collection in any one year shall not exceed the amount of the fixed annual rental for such year in the Original Lease Agreement. The amounts of the fixed annual rental payments in the Original Lease Agreement, which secured the 1997 Qualified Obligations, and in the Lease Agreement, which secures the Qualified Obligations, for the years 2004 through 2022 is set forth below:

<u>Year</u>	<u>Fixed annual rental payments under Original Lease Agreement</u>	<u>Fixed annual rental payments under Lease Agreement</u>
2004	\$ 1,835,000	\$ 922,000
2005	\$ 1,542,000	\$ 1,496,000
2006	\$ 1,558,000	\$ 1,510,000
2007	\$ 1,575,000	\$ 1,518,000
2008	\$ 1,454,000	\$ 1,454,000
2009	\$ 1,473,000	\$ 1,471,000
2010	\$ 1,482,000	\$ 1,482,000
2011	\$ 1,498,000	\$ 1,498,000
2012	\$ 1,384,000	\$ 1,384,000
2013	\$ 1,399,000	\$ 1,397,000
2014	\$ 1,415,000	\$ 1,414,000
2015	\$ 1,427,000	\$ 1,425,000
2016	\$ 1,334,000	\$ 1,334,000
2017	\$ 1,349,000	\$ 1,346,000
2018	\$ 1,358,000	\$ 1,358,000
2019	\$ 1,373,000	\$ 1,373,000
2020	\$ 1,262,000	\$ 1,262,000
2021	\$ 1,274,000	\$ 1,274,000
2022	\$ 1,290,000	\$ 1,287,000

In the event the Additional SBT will be insufficient to replenish the Lease Rental Reserve Account to the Qualified Entity Reserve Requirement, because it is less than the Shortfall, the Redevelopment Commission is required under the Lease Agreement, in addition to levying the Additional SBT, to use other legally available funds to replenish the Lease Rental Reserve Account to the Qualified Entity Reserve Requirement.

Notwithstanding the foregoing, there can be no assurance that the lease rental payments to be made under the Lease Agreement will be sufficient to pay the principal of or interest on the Qualified Obligations, when due.

Payment of Principal of and Interest on the Qualified Obligations. All payments by the Qualified Entity of the interest on the Qualified Obligations will be made to the Trustee either (i) by mail one business day prior to the January 15 or July 15 due date or (ii) by wire transfer to any owner of \$1,000,000 or more of the Qualified Obligations who so requests on the January 15 or July 15 due date. The principal of, and premium, if any, on the Qualified Obligations shall be payable upon surrender thereof in lawful money of the United States of America, at the principal office of the Qualified Entity Trustee. Interest on the Qualified Obligations shall be payable on January 15 and July 15 of each year, commencing July 15, 2004 and the Qualified Obligations shall mature on January 15 in the years set forth in the Qualified Entity Indenture commencing on January 15, 2005. The principal of, redemption premium, if any, and interest on the Qualified Obligations correspond to the payments of principal of, redemption premium, if any, and interest on the Series 2004 B Bonds. See Appendices B and C for a further description of the County and the Redevelopment District.

Procedures for Property Assessment, Tax Levy and Collection. On December 4, 1998, the Indiana Supreme Court affirmed in part, and reversed in part, a ruling by the Indiana Tax Court that the true tax value method of valuing property for purposes of levying property taxes was unconstitutional. Town of St. John v. State Board of Tax Commissioners, 702 N.E.2d 1034 (Ind. 1998). The Indiana Supreme Court ruled that the reproduction cost schedules used by the State Board of Tax Commissioners (now known as the Department of Local Government Finance and hereinafter, the "DLGF") are arbitrary and unconstitutional. This ruling affects only the valuation method and not the ability of the Redevelopment Commission to levy the SBT to pay lease rentals under the Lease Agreement when due. The State Board of Tax Commissioners issued a new real property assessment regulation on July 1, 2001, which was implemented beginning with the March 1, 2002 assessment date, affecting taxes payable beginning in 2003. The new regulation, which is briefly described in this section, will shift the tax burden among various classes of property owners, but will not impact the total tax levy. This new regulation affects only the valuation method and not the ability of the Redevelopment Commission to levy an unlimited SBT to pay lease rentals under the Lease Agreement when due. The Qualified Entity cannot predict the impact on SBT collections or the possibility of any future judicial actions, legislation or rulings enacted as a result of this new regulation.

Real and personal property in the State is assessed each year as of March 1st. On or before August 1st each year, each county auditor must submit to each underlying taxing unit located within that county a statement of (i) information concerning the assessed value of the taxing units for the next calendar year, (ii) an estimate of the taxes to be distributed to the unit during the last six months of the current calendar year and (iii) the current assessed valuation as shown on the abstract of charges.

By statute, the budget, tax rate and levy of a local taxing unit (other than a consolidated city and county or a second class city) must be established no later than September 20. The budget, tax levy and tax rate are subject to review and revision by the DLGF, which can lower, but not raise the tax levy or tax rate (with the exception of increasing any debt service or lease rental levy as may be required).

On or before March 15, each county auditor prepares and delivers the final abstract of property taxes within that county. The county treasurer mails tax statements the following April (but mailing may be delayed due to reassessment or other factors). Property taxes are due and payable to the county treasurer in two installments on May 10th and November 10th. If an installment of taxes is not completely paid on or before the due date, a penalty of 10% of the amount delinquent is added to the amount due. On May 11th and November 11th of each year after one year of delinquency, an additional penalty equal to 10% of any taxes remaining unpaid is added. The penalties are imposed only on the principal amount of the delinquency. Property becomes subject to tax sale procedures on July 1 if a delinquency then exists with respect to an installment due on or before May 10 of the prior year.

Under State law, personal property is assessed at its actual historical cost less depreciation, whereas real property is valued for assessment purposes at its “true tax value” as defined in the 2002 Real Property Assessment Manual adopted by the DLGF (the “Manual”), and as interpreted in the rules and regulations of the DLGF, including the 2002 Real Property Assessment Guidelines, Version A (the “Guidelines”), and the Real Property Assessment Manual Rule, 50 IAC 2.3. The Manual defines “true tax value” as “the market value in use of property for its current use, as reflected by the utility received by the owner or a similar user from that property.” The Manual permits assessing officials in each county to choose any acceptable mass appraisal method to determine true tax value, taking into consideration the ease of administration and the uniformity of the assessments produced by that method. The Guidelines were adopted to provide assessing officials with an acceptable appraisal methodology, although the Manual makes it clear that assessing officials are free to select from any number of appraisal methods, provided that they are capable of producing accurate and uniform values throughout the jurisdiction and across all classes of property. The Manual specifies the standards for accuracy and validation that the DLGF will use to determine the acceptability of any alternate appraisal method.

There are certain credits, deductions and exemptions available for various classes of property. For instance, residential real property is eligible for certain deductions for mortgages, rehabilitation, solar energy heating or cooling systems, wind power devices, coal conversion systems, hydroelectric power devices, geothermal energy heating or cooling devices, veterans, the aged and the blind. Commercial and industrial real property, new manufacturing equipment and research and development equipment may be entitled to economic revitalization area deductions. Business inventories may be eligible for enterprise zone credits. Government-owned properties and properties owned, used and occupied for charitable, educational or religious purposes may be entitled to exemptions from tax. “Gross assessed value” is equal to the “true tax value.” “Net assessed value” or “taxable value” represents the “gross assessed value,” less all such deductions, credits and exemptions, and is the value used for taxing purposes in the determination of tax rates.

Assessed values of real property occur periodically as a result of general reassessments scheduled by the State legislature, as well as when changes occur in the property due to new construction or demolition of improvements. The most recent scheduled reassessment became effective as of the March 1, 2002 assessment date, and affects taxes payable beginning in 2003. The next scheduled reassessment will be effective as of the March 1, 2009 assessment date, and will affect taxes payable beginning in 2010.

When a change in assessed value occurs, a written notification is sent to the affected property owner. If the owner wishes to appeal this action, the owner may file a petition requesting a review of the action. This petition must be filed with the county assessor in which the property is located within 45 days after the written notification is given to the taxpayer or May 10 of that year, whichever is later. While the appeal is pending, any taxes on real property which become due on the property in question must be paid in an amount based on the immediately preceding year’s assessment.

Indiana Code 6-1.1-21-5 provides that each year taxpayers will receive a credit for property tax replacement, known as the “property tax replacement credit” (“PTRC”). Beginning with the March 1, 2002 assessment date, affecting taxes payable beginning in 2003, Indiana Code 6-1.1-21-2(1)(1) provides that all property will receive a PTRC in the amount of sixty percent (60%) of the tax liability attributable to such property which is imposed by a school corporation for its general fund (the “School PTRC”). In addition, all property other than business personal property will receive a PTRC in the amount of approximately twenty percent (20%) of the tax liability attributable to such property as a result of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) (the “General PTRC”). Under Indiana Code 6-1.1-22-9, property taxes are due and payable in two equal installments in May and November of each year. The School PTRC and

the General PTRC are applied to each installment of taxes. However, for purposes of determining the amount of the General PTRC, the tax liability of a taxpayer does not include the amount of any property tax owed by the taxpayer attributable to certain specified components of the tax levy. Among the tax levy components not receiving the General PTRC are the property taxes that will be used to pay for the principal and interest due on debt entered into after December, 1983.

Enforcement of the Qualified Obligations

As owner of the Qualified Obligations, the Bond Bank has available to it all remedies available to owners or holders of securities issued by Qualified Entities. The Act provides that upon the sale and the delivery of any Qualified Obligation to the Bond Bank, the Qualified Entity will be deemed to have agreed that all statutory defenses to nonpayment are waived in the event that the Qualified Entity fails to pay principal of or interest on such Qualified Obligation when due.

Further, the Qualified Entity has agreed under the Qualified Entity Purchase Agreement to report to the Bond Bank on their compliance with certain covenants which they have made regarding various actions and conditions necessary to preserve the tax-exempt status of interest paid on the Qualified Obligations. See the caption "TAX MATTERS." The Bond Bank has also determined to consult with the Qualified Entity, as necessary from time to time, with regard to the action needed to be taken by the Qualified Entity to preserve the exclusion of the interest on the Series 2004 B Bonds from the gross income of the holders of the Series 2004 B Bonds.

The Bond Bank will monitor the compliance and consult regularly with the Qualified Entity with respect to its requirements under the Qualified Obligations, including the making of Qualified Obligation Payments to the Bond Bank.

Additional Bonds

Additional bonds of the Bond Bank may be issued on a parity with the Series 2004 B Bonds pursuant to the Indenture only for the purpose of refunding (in whole or in part) Bonds issued by the Bond Bank pursuant to the Indenture.

Debt Service Reserve Fund

The Act authorizes and the Indenture requires the Bond Bank to establish and maintain the Debt Service Reserve Fund in which there is to be deposited or transferred:

(i) Moneys available to the Bond Bank required to be deposited in the Debt Service Reserve Fund by the terms of the Indenture (or any future Bond proceeds or other money required by a Supplemental Indenture or resolution of the Bond Bank);

(ii) All money required to be transferred to the Debt Service Reserve Fund for the replenishment thereof from another Fund or Account under the Indenture;

(iii) All money appropriated by the State for replenishment of the Debt Service Reserve Fund;
and

(iv) Any other available money or funds that the Bond Bank may decide to deposit in the Debt Service Reserve Fund.

Under the Indenture, the Debt Service Reserve Fund is required to contain an amount equal to the least of (i) the maximum annual debt service on the Bonds, (ii) ten percent of the original stated principal amount of the Bonds, or (iii) 125 percent of average annual debt service on the Bonds which, at the time of issuance of the Series 2004 B Bonds, means an amount equal to \$1,505,793.76, and thereafter, if less than such amount, shall be the maximum annual debt service on Outstanding Bonds in the present or any succeeding Fiscal Year (the "Reserve Requirement").

Moneys in the Debt Service Reserve Fund from time to time will be invested pursuant to the Investment Agreement and it is anticipated that such investment and the earnings thereon will be used to pay a portion of the principal of and interest on the Series 2004 B Bonds. However, there can be no assurance that such moneys or the earnings thereon will be available, if and when needed, to pay debt service on the Series 2004 B Bonds. For further information regarding the Investment Agreement and the nature of and requirements for the investment of the Debt Service Reserve Fund, see "RISKS TO OWNERS OF THE SERIES 2004 B BONDS."

Except as provided in the Indenture, moneys in the Debt Service Reserve Fund will be held and applied to the payment of the principal of and interest on the Bonds in cases where sufficient funds are not available in other Funds and Accounts for such payments.

State Appropriations Mechanism

The Act provides that the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank to the State General Assembly prior to December 1 of any year, as may be necessary to restore the Debt Service Reserve Fund to the amount then required to be on deposit in the Debt Service Reserve Fund to the Reserve Requirement. The Indenture further requires such certification to be made by the Chairman to the State General Assembly on or before August 1 of any fiscal year of the Bond Bank ("Fiscal Year") in which the amount in the Debt Service Reserve Fund is projected to be less than the Reserve Requirement. However, nothing in these provisions or any other provision of the Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Bond Bank. There can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. The Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately \$374,070,000 in separate program obligations secured by debt service reserve funds, which are also eligible for annual appropriations from the State General Assembly.

In accordance with the Constitution of the State, the State General Assembly meets for a maximum period of 61 legislative days in every odd-numbered year in order to establish a budget and to make appropriations. The State General Assembly also meets for a maximum period of 30 legislative days in intervening years in order to make supplemental appropriations. Because the State General Assembly meets for only a portion of each year, there can be no representation or assurance that the State General Assembly could, if it elected to do so, take timely action upon a certificate from the Chairman of

the Board of Directors of the Bond Bank in order to provide funds to avoid a default in the payment of principal of or interest on the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2004 B Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Series 2004 B Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2004 B Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2003, Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,021,327,000 and its total unearned premium reserve was approximately \$1,281,769,000 in accordance with statutory accounting practices. At September 30, 2003, Financial Security's total shareholders' equity was approximately \$2,208,123,000 and its total net unearned premium reserve was approximately \$1,098,686,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Series 2004 B Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2004 B Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2004 B Bonds or the advisability of investing in the Series 2004 B Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Bond Bank the information presented under this caption for inclusion in the Official Statement.

DEBT SERVICE RESERVE FUND CREDIT FACILITY

The Indenture requires the establishment of a Debt Service Reserve Fund in an amount equal to the least of (i) the maximum annual principal and interest requirements on the Bonds or (ii) 125% of average annual principal and interest requirements on the Series 2004 B Bonds or (iii) 10% of the stated principal amount of the Series 2004 B Bonds. The Indenture authorizes the Bond Bank to obtain a Debt Service Reserve Fund Credit Facility in place of fully funding the Debt Service Reserve Fund. Accordingly, a commitment has been made by Financial Security for the issuance of a Debt Service Reserve Fund Credit Facility (the “Series 2004 B Debt Service Reserve Fund Credit Facility”) for the purpose of funding the Debt Service Reserve Fund (see “OPERATION OF FUNDS AND ACCOUNTS” herein). The Series 2004 B Bonds will only be delivered upon the issuance of the Series 2004 B Debt Service Reserve Fund Credit Facility. The premium on the Series 2004 B Debt Service Reserve Fund Credit Facility is to be fully paid at or prior to the issuance and delivery of the Series 2004 B Bonds. The Series 2004 B Debt Service Reserve Fund Credit Facility provides that upon the later of (i) one day after receipt by Financial Security of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2004 B Bonds when due has not been made or (ii) the principal or interest payment date specified in the notice of nonpayment submitted to Financial Security, Financial Security will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Series 2004 B Bonds, but in no event exceeding the Series 2004 B Debt Service Reserve Fund Credit Facility coverage, as defined in the Series 2004 B Debt Service Reserve Fund Credit Facility.

Pursuant to the terms of the Series 2004 B Debt Service Reserve Fund Credit Facility, the Series 2004 B Debt Service Reserve Fund Credit Facility coverage is automatically reduced to the extent of each payment made by Financial Security under the terms of the Series 2004 B Debt Service Reserve Fund Credit Facility and the Bond Bank is required to reimburse Financial Security for any draws under the Series 2004 B Debt Service Reserve Fund Credit Facility with interest at the rate set forth in the Indenture. Upon such reimbursement, the Series 2004 B Debt Service Reserve Fund Credit Facility is reinstated to the extent of each principal reimbursement up to but not exceeding the Series 2004 B Debt Service Reserve Fund Credit Facility coverage. The reimbursement obligation for the Bond Bank is subordinate to the Bond Bank’s obligations with respect to the Series 2004 B Bonds.

In the event the amount on deposit, or credited to the Debt Service Reserve Fund, exceeds the amount of the Series 2004 B Debt Service Reserve Fund Credit Facility, any draw on the Series 2004 B Debt Service Reserve Fund Credit Facility will be made only after all the funds in the Debt Service Reserve Fund have been expended. In the event that the amount on deposit in or credited to the Debt Service Reserve Fund, in addition to the amount available under the Series 2004 B Debt Service Reserve Fund Credit Facility, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the “Additional Funding Instrument”), draws on the Series 2004 B Debt Service Reserve Fund Credit Facility and the Additional Funding Instrument will be made on a pro rata basis to fund the insufficiency.

AGREEMENT WITH THE STATE

Under the Act, the State has pledged to and agreed with the owners of the bonds or notes of the Bond Bank, including the Series 2004 B Bonds, not to limit or restrict the rights vested in the Bond Bank by the Act to fulfill the terms of any agreements made with the owners of such bonds or notes or in any way impair the rights or remedies of such owners until the bonds and notes, together with interest thereon, and interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners are fully met, paid and discharged.

RISKS TO OWNERS OF THE SERIES 2004 B BONDS

Purchasers of the Series 2004 B Bonds are advised of certain risk factors with respect to the payment of the Series 2004 B Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

Sources of Payments for the Bonds

The ability of the Bond Bank to pay principal of, and interest on, the Series 2004 B Bonds depends primarily upon the receipt by the Bond Bank of payments pursuant to the Series 2004 B Qualified Obligations, including interest at the rates provided therein, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. Except for the Debt Service Reserve Fund, there is no source of funds which is required to make up for any deficiencies in the event of one or more defaults by the Qualified Entity in payments on the Qualified Obligations. There can be no representation or assurance that the Qualified Entity will receive sufficient lease rental payments under the Lease Agreement or otherwise have sufficient funds available to make its required payments on the Qualified Obligations. The receipt of such revenues by the Qualified Entity is subject to, among other things, future economic conditions, actions by creditors, and other conditions which are variable and not certain of prediction. For a description of procedures for providing for the payment of the Series 2004 B Qualified Obligations, see the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 B BONDS - Provisions for Payment of the Qualified Obligations.”

The State General Assembly may determine to appropriate funds to the extent of any deficiency in the Debt Service Reserve Fund (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 B BONDS - State Appropriations Mechanism”). However, the State General Assembly is not and cannot be obligated to appropriate any such funds. Moreover, the State General Assembly meets for only a portion of each year commencing in January and ending not later than April 30, unless extended by a special session called by the Governor, and there can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. In no event can or will the Series 2004 B Bonds be deemed to be a debt or obligation of the State. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004 B BONDS - State Appropriations Mechanism.”

Investment Risk

It is expected that the amounts held under the Indenture (the “Investment Amounts”) will be invested in the Investment Agreement entered into by and among the Bond Bank, the Trustee and CDC Funding Corp., a subsidiary of CDC Finance-CDC IXIS, a bank (*société anonyme*) governed by French law (the “Investment Provider”), or another financial institution (the “Financial Institution”) currently rated in one of the two highest rating categories by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”). It is anticipated that the Investment Amounts, together with the earnings thereon, pursuant to the terms of the Investment Agreement will be used to pay all or a portion of principal of and interest on the Series 2004 B Bonds. However, there can be no assurance that the Investment Provider will be able to return the Investment Amounts and the earnings thereon on a timely basis or at the rates contemplated under the Investment Agreement. In the event that the Investment Provider fails to return the Investment Amounts or the earnings thereon on a timely basis or at the rates contemplated under the Investment Agreement, the Investment Amounts and the earnings thereon may be

unavailable to pay debt service on the Series 2004 B Bonds. Similarly, there can be no assurance that, in the event of the insolvency, bankruptcy or similar deterioration in financial condition of the Financial Institution, the Investment Amounts and the earnings thereon will be available, if needed, to pay debt service on the Series 2004 B Bonds.

Tax Exemption

The Bond Bank has covenanted under the Indenture to take all actions and not to fail to take any actions required to assure the continuing exclusion of interest on the Series 2004 B Bonds from gross income for federal income tax purposes. Failure by the Bond Bank to comply with such covenants could cause the interest on the Series 2004 B Bonds to be taxable retroactively to the date of issuance. Also, in connection with the original purchase of each of the Qualified Obligations, the Bond Bank received an opinion of counsel by a nationally recognized firm experienced in matters relating to municipal law and matters relating to the exclusion of interest payable on obligations of states and their instrumentalities and political subdivisions from gross income under federal tax law, acceptable to the Bond Bank and the Trustee (an “Opinion of Bond Counsel”), for the Series 2004 B Qualified Entity to the effect that, conditioned upon continuing compliance by the Qualified Entity with certain covenants made in connection with the issuance of such Qualified Obligations, the interest on the Qualified Obligations is excludable from the gross income of the holder thereof for federal income tax purposes under existing statutes, decisions, regulations and rulings. However, the interest on such Qualified Obligations could become taxable in the event that the Qualified Entity fails to comply with certain of such covenants, including without limitation the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to its Qualified Obligations under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent such Qualified Obligations from being deemed to be “private activity bonds” under the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2004 B Bonds and any applicable regulations promulgated thereunder (the “Code”). Such an event could in turn adversely affect the exempt status of the interest on all of the Series 2004 B Bonds retroactively to the date of issuance. See the caption “TAX MATTERS.” The Bond Bank is not aware of any circumstances that would cause the interest on the Qualified Obligations to be included in gross income for federal income tax purposes under the Code, but has not undertaken any investigation in connection with this Official Statement.

Limited Remedies

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon the occurrence of an Event of Default under the Indenture or under the terms of any of the Qualified Obligations or the Investment Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the “United States Bankruptcy Code”), the remedies provided in the Indenture, the Qualified Obligations, and the Investment Agreement may not be readily available or may be limited.

Bond Insurance and Debt Service Reserve Fund Credit Facility

The 2004 B Bond Insurer has issued the Series 2004 B Bond Insurance Policy, guaranteeing the payment of the principal (but not premium) of the Series 2004 B Bonds due at maturity, but not as a result of the acceleration thereof (unless consented to by the 2004 B Bond Insurer), and interest on the Series 2004 B Bonds due on the interest payment dates therefor and has issued its Series 2004 B Debt Service Reserve Fund Credit Facility with respect to the Debt Service Reserve Fund. There can be no assurance that the 2004 B Bond Insurer will be financially able to meet its contractual obligations under the Series

2004 B Bond Insurance Policy or the Series 2004 B Debt Service Reserve Fund Credit Facility. A form of the Series 2004 B Bond Insurance Policy is attached hereto as Appendix G. Certain information with respect to the 2004 B Bond Insurer is set forth under the caption “BOND INSURANCE” herein. Such information was provided by the 2004 B Bond Insurer.

So long as the 2004 B Bond Insurer performs its obligations under the Series 2004 B Bond Insurance Policy, the Series 2004 B Bonds cannot be accelerated without the prior written consent of the 2004 B Bond Insurer. Furthermore, so long as the 2004 B Bond Insurer performs its obligations under the Series 2004 B Bond Insurance Policy, the 2004 B Bond Insurer may direct any remedies that the Bondholders may exercise under the Indenture.

In the event that the 2004 B Bond Insurer is unable to make payments of principal of and interest on the Series 2004 B Bonds as such payments become due, the Series 2004 B Bonds are payable solely from moneys received by the Trustee as set forth in the Indenture.

In the event that the 2004 B Bond Insurer is required to pay principal of or interest on the 2004 B Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the 2004 B Bonds.

PLAN OF FINANCING

The Refunded Bonds will be called for optional redemption on February 1, 2007 (the “Redemption Date”), at 102% of the principal amount thereof.

The refunding of the Refunded Bonds will be accomplished by depositing, concurrently with the issuance of the Series 2004 B Bonds, a portion of the proceeds thereof, together with other moneys legally available therefor, in the Escrow Account, which will be held by The Bank of New York Trust Company, N.A., Indianapolis, Indiana, as the Escrow Agent for the Refunded Bonds. Moneys on deposit in the Escrow Account will be invested in direct obligations of the United States of America consisting of United States Treasury Certificates of Indebtedness - State and Local Government Series and United States Treasury Notes - State and Local Government Series (collectively, “SLGS”), the principal of and interest on which, when due, together with earnings thereon and cash initially deposited in the Escrow Account, will provide sufficient moneys for the payment of the principal of and interest on the Refunded Bonds when due and the redemption price of the Refunded Bonds called for optional redemption on the Redemption Date.

Upon such deposits and investment, the Refunded Bonds will no longer be outstanding under the Prior Indenture, and the lien of the Prior Indenture on the Trust Estate established pursuant to the Prior Indenture, including the 1997 Qualified Obligations, shall be discharged. Thereupon, the Qualified Entity Trustee shall acknowledge the discharge and release of the 1997 Qualified Obligations.

Crowe Chizek and Company LLC, Indianapolis, Indiana, a firm of independent public accountants, will deliver to the Bond Bank its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Accountants, the information and assertions provided by the Bond Bank and others. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the SLGS deposited in the Escrow Account to pay the principal of and interest on the Refunded Bonds when due and the redemption price of the Refunded Bonds on the Redemption Date, and (b) the mathematical computations supporting the conclusion of Barnes & Thornburg that the Series 2004 B Bonds are not “arbitrage bonds” under the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

APPLICATION OF PROCEEDS OF THE SERIES 2004 B BONDS

Set forth below is a summary of the estimated sources and uses of the proceeds of the Series 2004 B Bonds together with other moneys made available by the Bond Bank.

SOURCES OF FUNDS

Principal Amount of Series 2004 B Bonds	\$ 17,590,000.00
Transfers from Refunded Bonds' Debt Service Reserve and General Funds	2,282,271.00
Original Issue Premium	839,315.15
Original Issue Discount	(84,413.80)
TOTAL SOURCES	\$ 20,627,172.35

USES OF FUNDS

Deposit to Escrow Account	\$ 19,889,729.00
Purchase of Series 2004 B Qualified Obligations	291,968.26
Costs of Issuance	175,000.00
Underwriters' Discount	114,335.00
Payment of premium-Series 2004 B Bond Insurance Policy	78,208.65
Payment of premium-Series 2004 B Debt Service Reserve Fund Credit Facility	37,644.85
Capitalized Interest	40,286.59
TOTAL USES	\$ 20,627,172.35

THE INDIANA BOND BANK

The Bond Bank was created in 1984, and is organized and existing under and by virtue of the Act as a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power.

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and has outstanding as of March 1, 2004, an aggregate principal amount of approximately \$3,586,260,000 in separate program obligations not secured by the Indenture, approximately \$391,280,000 of which obligations are secured by debt service reserve funds eligible for annual appropriation by the State General Assembly. Additionally, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financing for qualified entities for purposes authorized by and in accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financing, if any, will be secured separately from the Series 2004 B Bonds and will not constitute Bonds under the Indenture or for purposes of this Official Statement.

The Act

Pursuant to the Act, the purpose of the Bond Bank is to assist "qualified entities", defined in the Act to include, in part, political subdivisions, as defined in Indiana Code 36-1-2-13, state educational institutions, as defined in Indiana Code 20-12-0.5-1(b), leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, and any organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified

entities. The Bond Bank provides such assistance through programs of among other things, purchasing the bonds, notes or evidences of indebtedness of such qualified entities. Under the Act, qualified entities include entities such as cities, towns, counties, school corporations, library corporations, special taxing districts, state educational institutions, charter schools and nonprofit corporations and associations which lease facilities or equipment to such entities. The Hendricks County Redevelopment Authority is a “qualified entity” within the meaning of the Act.

Powers Under the Act

Under the Act, the Bond Bank has a perpetual existence and is granted all powers necessary, convenient or appropriate to carry out its public and corporate purposes including, without limitation, the power to do the following:

1. Make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to: (i) a loan to or a lease or an agreement with a qualified entity; (ii) a purchase, acquisition or a sale of qualified obligations or other investments; or (iii) the performance of its duties and execution of its powers under the Act;
2. Purchase, acquire or hold qualified obligations or other investments for the Bond Bank’s own account or for a qualified entity at such prices and in a manner as the Bond Bank considers advisable, and sell or otherwise dispose of the qualified obligations or investments at prices without relation to cost and in a manner the Bond Bank considers advisable;
3. Fix and establish terms and provisions upon which a purchase or loan will be made by the Bond Bank;
4. Prescribe the form of application or procedure required of a qualified entity for a purchase or loan and enter into agreements with qualified entities with respect to each purchase or loan;
5. Render and charge for services to a qualified entity in connection with a public or private sale of any qualified obligation, including advisory and other services;
6. Charge a qualified entity for costs and services in review or consideration of a proposed purchase, regardless of whether a qualified obligation is purchased, and fix, revise from time to time, charge and collect other Program Expenses properly attributable to qualified entities;
7. To the extent permitted by the indenture or other agreements with the owners of bonds or notes of the Bond Bank, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of a bond, note, contract or agreement of any kind to which the Bond Bank is a party;
8. Appoint and employ general or special counsel, accountants, financial advisors or experts, and all such other or different officers, agents and employees as it requires;
9. In connection with the purchase of any qualified obligations, consider the need, desirability or eligibility of the qualified obligation to be purchased, the ability of the qualified entity to secure financing from other sources, the costs of such financing and the particular public improvement or purpose to be financed or refinanced with the proceeds of the qualified obligation to be purchased by the Bond Bank;

10. Temporarily invest moneys available until used for making purchases, in accordance with the indenture or any other instrument authorizing the issuance of bonds or notes; and

11. Issue bonds or notes of the Bond Bank in accordance with the Act bearing fixed or variable rates of interest in aggregate principal amounts considered necessary by the Bond Bank to provide funds for any purposes under the Act; provided, that the total amount of bonds or notes of the Bond Bank outstanding at any one time may not exceed any aggregate limit imposed by the Act, currently fixed at \$1,000,000,000. Such aggregate limit of \$1,000,000,000 does not apply to: (i) bonds or notes issued to fund or refund bonds or notes of the Bond Bank; (ii) bonds or notes issued for the purpose of purchasing an agreement executed by a qualified entity under Indiana Code 21-1-5; (iii) bonds, notes or other obligations not secured by a reserve fund under Indiana Code 5-1.5-5; (iv) bonds, notes, or other obligations if funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption; and (v) obligations of certain types of qualified entities that have separate limits.

Under the Act, the Bond Bank may not do any of the following:

1. Lend money other than to a qualified entity;
2. Purchase a security other than a qualified obligation to which a qualified entity is a party as issuer, borrower or lessee, or make investments other than as permitted by the Act;
3. Deal in securities within the meaning of or subject to any securities law, securities exchange law or securities dealers law of the United States, the State or any other state or jurisdiction, domestic or foreign, except as authorized by the Act;
4. Emit bills of credit or accept deposits of money for time or demand deposit, administer trusts or engage in any form or manner, or in the conduct of, any private or commercial banking business or act as a savings bank, savings association or any other kind of financial institution; or
5. Engage in any form of private or commercial banking business.

Organization and Membership of the Bond Bank

The membership of the Bond Bank consists of seven Directors: the Treasurer of State, serving as Chairman Ex Officio, the Director of the State Department of Financial Institutions, appointed by the Governor and serving as Director Ex Officio, and five Directors appointed by the Governor of the State. Each of the five Directors appointed by the Governor must be a resident of the State and must have substantial expertise in the buying, selling and trading of municipal securities or in municipal administration or public facilities management. Each such Director will serve for a three-year term as set forth below and until a successor is appointed and qualified. Each such Director is also eligible for reappointment and may be removed for cause by the Governor. Any vacancy on the Board is filled by appointment of the Governor for the unexpired term only.

The Directors elect one Director to serve as Vice Chairman. The Directors also appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer. The powers of the Bond Bank are vested in the Board of Directors, any four of whom constitute a quorum. Action may be taken at any meeting of the Board by the affirmative vote of at least four Directors. A vacancy on the Board does not impair the right of a quorum to exercise the powers and perform the duties of the Board of Directors of the Bond Bank.

Directors

The following persons, including those persons with the particular types of experience required by the Act, comprise the present Board of Directors of the Bond Bank:

Tim Berry, Treasurer of the State of Indiana, February 10, 1999-present, and Chairman Ex Officio. Residence: Indianapolis, Indiana, Member, Indiana State Board of Finance; Vice Chairman, Indiana Housing Finance Authority; Secretary-Investment Manager, Indiana Board for Depositories; Member, Governing Board of the Indiana Department of Revenue; Treasurer, Indiana State Office Building Commission; Treasurer, Indiana Recreational Development Commission; Trustee, Indiana State Police Pension Fund; Board Member, Indiana Transportation Finance Authority.

Clark H. Byrum, Vice Chairman; term expired July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and President, The Key Corporation, Indianapolis, Indiana, 1977 to present; Chairman of the Board, American State Bank of Lawrenceburg, Aurora and Greendale, Indiana, 1990 to present; Board Member, NCB Corporation and NorCen Bank, 1986 to present; Member, American Bankers Association; Member, Indiana Bankers Association; Member, National Association of Life Underwriters.

Charles W. Phillips, Director of the Indiana Department of Financial Institutions, 1989 to present, and Director Ex Officio, serving at the pleasure of the Governor. Residence: New Albany, Indiana. Director Ex Officio, Indiana Housing Finance Authority; President, Floyd County Bank, New Albany, Indiana, 1962-1985; Former Examiner, Federal Deposit Insurance Corporation.

Russell Breeden, III, Director; term expired July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and CEO, Community First Financial Group, Inc., 1993 to 2002; Director, English State Bank, 1993 to present; Chairman, Peoples Trust Bank Company, 1994 to present; Chairman, Peninsula Banking Group, 1995 to present; Chairman, Bay Cities National Bank, 1995 to present; Director and President, Bettenhausen Motorsports, Inc., 1988 to present.

Morris H. Mills, Director; term expired July 1, 2003. Residence: Ladoga, Indiana. Partner, Mills Bros. Farms; Member, Indiana State Senate, 1972 to 2000; Member, Indiana State House of Representatives, 1968 to 1972; Director and Officer, Maplehurst Group, 1954 to 1996.

C. Kurt Zorn, Director; term expired July 1, 2003. Residence: Bloomington, Indiana. Professor of Public and Environmental Affairs, Indiana University, 1994 to Present; Chairman, State Board of Tax Commissioners, January 1991 to August 1994; Associate Professor, School of Public and Environmental Affairs, Indiana University, 1987 to 1994 (on leave 1989 to 1992); Member, American Economic Association; Member, National Tax Association; Member, Governmental Finance Officers Association.

Marni McKinney, Director; term expires July 1, 2004. Residence: Indianapolis, Indiana. Vice President, 1984 to 1999, and Chairman of the Board, 1999 to present, First Indiana Bank; President and CEO, The Somerset Group, 1995 to 2000; Vice Chairman and Chief Executive Officer, First Indiana Corporation, 1999 to present; Board of Directors, The Children's Museum and Community Hospitals of Indiana, Inc.; Investment Committee Member, The Indianapolis Foundation.

Although the expiration date of the terms of four Directors is July 1, 2003, the Act provides that their terms will not expire until their successors are appointed and qualified. No such successors have been appointed and qualified.

The Directors are authorized to appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer of the Board of Directors. Dan Huge was appointed Executive Director of the Indiana Bond Bank on October 9, 2001. Mr. Huge previously served as the Deputy Director of the Indianapolis Local Public Improvement Bond Bank for over three years. Mr. Huge has over 14 years of corporate accounting and managerial experience. He is a Certified Public Accountant and holds a B.S. from Purdue University.

REVENUES, FUNDS AND ACCOUNTS

The Indenture creates certain Funds and Accounts identified in more detail below. Pursuant to the Indenture, the Trustee will deposit the net proceeds of the Series 2004 B Bonds, together with other moneys into these Funds and Accounts as described below. Appendix E sets forth a summary of certain provisions of the Indenture.

Creation of Funds and Accounts

The Indenture establishes the following Funds and Accounts to be held by the Trustee:

1. General Fund - comprised of the following:
 - (a) General Account
 - (b) Bond Issuance Expense Account
 - (c) Redemption Account
2. Debt Service Reserve Fund
3. Rebate Fund

Deposit of Net Proceeds of the Series 2004 B Bonds, Revenues and Other Receipts

On the date of delivery of the Series 2004 B Bonds, the Trustee will deposit the proceeds from the sale of the Series 2004 B Bonds, together with other moneys made available by the Bond Bank, as follows:

(a) Into the Bond Issuance Expense Account, in the amount of \$175,000.00 to pay Costs of Issuance (other than underwriter's discount retained by the Underwriters in the amount of \$114,335.00 and the premiums for the Series 2004 B Bond Insurance Policy and the Series 2004 B Debt Service Reserve Fund Credit Facility paid by the Underwriters directly to the Series 2004 B Bond Insurer for and on behalf of the Bond Bank in the amounts of \$78,208.65 and \$37,644.85 respectively);

(b) Into the Escrow Account under the Escrow Agreement, in the amount of \$19,889,729.00, which will be used to redeem the Refunded Bonds and pay the costs of refunding; and

(c) Into the General Account, the amount of \$332,254.85, a portion of which in the amount of \$291,968.26 will be used for payment to the Series 2004 B Qualified Entity in purchasing the Qualified Obligations, and the remaining portion of which in the amount of

\$40,286.59 for capitalized interest will be used to pay a portion of the interest on the Series 2004 B Bonds due on August 1, 2004.

The Trustee will deposit all Revenues and all other receipts (except the proceeds of the Series 2004 B Bonds, and moneys received by the Bond Bank from the sale or redemption prior to maturity of the Qualified Obligations) into the General Account of the General Fund and will deposit any moneys received from the sale or redemption prior to maturity of the Qualified Obligations into the Redemption Account of the General Fund. Thereafter, the Trustee will deposit the proceeds of any Refunding Bonds as provided under the Supplemental Indenture authorizing the issuance of such Refunding Bonds.

OPERATION OF FUNDS AND ACCOUNTS

General Fund

General Account. The Trustee shall deposit in the General Account of the General Fund all moneys required to be deposited therein pursuant to the Indenture. The Trustee shall invest such funds in accordance with the Indenture and will make the following payments from the General Account on the specified dates and, if there are not sufficient funds to make all the payments required, in the following order of priority:

(a) On the date of initial delivery of the Series 2004 B Bonds, to purchase the Qualified Obligations, as set forth in Article VII of the Indenture, upon the submission of requisitions of the Bond Bank signed by an Authorized Officer stating that all requirements with respect to such financing set forth in the Indenture have been or will be complied with;

(b) On or before 10:00 a.m. in the city in which the Trustee is located on the business day next preceding each Interest Payment Date, such amount as shall be necessary to pay the principal and interest coming due on the Bonds on such Interest Payment Date;

(c) As soon as funds become available, to the Debt Service Reserve Fund, sufficient amounts to assure that the Reserve Requirement is met from time to time;

(d) As necessary to the Bond Bank, amounts to pay Program Expenses, but only to the extent contemplated in the most recent Cash Flow Certificate;

(e) On or before thirty (30) days after each anniversary of the issuance of the Bonds, the amounts to be transferred to the Rebate Fund; and

(f) After making such deposits and disbursements and after the Trustee shall make a determination of the amounts reasonably expected to be received in the form of Qualified Obligation Payments under the Indenture in the next succeeding twelve (12) months, to any other fund or account maintained by the Bond Bank, regardless of whether such fund or account is subject to the lien of the Indenture, all moneys in the General Fund which, together with such expected receipts for the succeeding twelve (12) months are in excess of the amounts needed to pay principal of and interest on the Bonds within the immediately succeeding twelve-month period. No such moneys shall be so transferred unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer, Revenues expected to be received,

together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Bond Issuance Expense Account. The Trustee shall deposit into the Bond Issuance Expense Account the moneys required to be deposited therein pursuant to the Indenture, shall invest such funds pursuant to the Indenture and shall disburse the funds held in the Bond Issuance Expense Account as follows:

(a) Upon receipt of invoices or requisitions certified by the Executive Director of the Bond Bank, to pay the Costs of Issuance of the Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs; and

(b) On August 1, 2004, any funds remaining in the Bond Issuance Expense Account shall be transferred to the General Account of the General Fund.

Redemption Account. (a) The Trustee shall deposit in the Redemption Account all moneys received upon the sale or mandatory redemption prior to maturity of the Qualified Obligations and all other moneys required to be deposited therein pursuant to the provisions of the Indenture, shall invest such funds pursuant to the Indenture and shall disburse the funds held in the Redemption Account as follows:

(1) On the fifteenth day of each month, to the General Account an amount equal to the principal which would have been payable during the following month if such Qualified Obligations had not been sold or redeemed prior to maturity;

(2) On the second business day next preceding each Interest Payment Date if moneys in the General Account are not sufficient to make the payments of principal and interest required to be made on such date, the Trustee shall transfer to the General Account moneys in the Redemption Account not already committed to the redemption of Bonds for which notice of redemption has been given; and

(3) After provision has been made for the payments required under paragraphs (1) and (2), moneys in the Redemption Account may be (i) used to redeem Bonds of such maturity or maturities as directed by an Authorized Officer if such Bonds are then subject to redemption, (ii) to the extent there are any excess moneys in the Redemption Account, transferred to the General Account, (iii) used to purchase Bonds of such maturity or maturities as directed by an Authorized Officer at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds shall then be subject to redemption, or (iv) make investments of such moneys until the payment of Bonds at their maturity or maturities as directed by an Authorized Officer in accordance with the Indenture. Such price may not, however, exceed the Redemption Price which would be payable on the next ensuing date on which the Bonds so purchased are redeemable according to their terms, unless the Bond Bank provides the Trustees with a Cash Flow Certificate to the effect that the purchase at a price in excess of the Redemption Price will not result in Revenues, together with moneys expected to be held in the Funds and Accounts, being less than an amount equal to debt service on all Outstanding Bonds, along with Program Expenses, if any. The Trustee will pay the interest accrued on the Bonds so purchased to the date of delivery thereof from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase shall be made by the Trustee within the period of sixty (60) days next preceding an Interest Payment Date or a date on which such Bonds are subject to redemption under the provisions of the Indenture. The Trustee shall deliver the Bonds so purchased to the registrar within five (5) days from the date of delivery to the Trustee.

(4) In the event the Trustee is unable to purchase Bonds in accordance with the Indenture, then, subject to any restrictions on redemption set forth in the Indenture, the Trustee shall call for redemption on the next ensuing redemption date such amount of Bonds of such maturity or maturities as directed by an Authorized Officer as, at the Redemption Price thereof, will exhaust the Redemption Account as nearly as may be possible. Such redemption shall be made pursuant to the provisions of the Indenture. The Trustee shall pay the interest accrued on the Bonds so redeemed to the date of redemption from the General Account and the Redemption Price from the Redemption Account.

(b) The Trustee may, upon written direction from the Bond Bank, transfer any moneys in the Redemption Account to the General Account if the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer and after any transfer from the General Account to the Bond Bank, Revenues, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Debt Service Reserve Fund

(a) The Trustee shall deposit in the Debt Service Reserve Fund all moneys required to be deposited therein pursuant to the Indenture and monies appropriated by the General Assembly of the State as contemplated by the Indenture to cause the Debt Service Reserve Fund to be equal to the Reserve Requirement, together with such other moneys as directed by the Bond Bank, shall invest such funds pursuant to the Indenture and shall disburse the funds held in the Debt Service Reserve Fund to the General Account on the second business day next preceding each Interest Payment Date if the moneys in the General Account are not sufficient to make the payments of principal and interest required to be made on such date after taking into account available funds on deposit in the General Account after making all transfers required to be made under the Indenture.

(b) The Trustee shall transfer the funds held in the Debt Service Reserve Fund to the General Account for the timely payment of the principal of and interest on the Bonds, but only in the event that moneys in the General Fund are insufficient to pay such amount of principal and interest due on the Bonds after making all transfers required to be made under the Indenture. The Trustee shall draw first on cash or Investment Securities on deposit in the Debt Service Reserve Fund and then on the Debt Service Reserve Fund Credit Facility or Facilities, if any, in accordance with the terms thereof.

(c) The Bond Bank may cause to be deposited into the Debt Service Reserve Fund for the benefit of the holders of the Bonds a Debt Service Reserve Fund Credit Facility. If such deposit causes the Debt Service Reserve Fund to be equal to the Reserve Requirement, moneys in the Debt Service Reserve Fund in excess of that needed for the Debt Service Reserve Fund to be equal to the Reserve Requirement shall be moved in accordance with the Indenture, subject to the satisfaction of any Debt Service Reserve Fund Reimbursement Obligations from such excess as described below. If a disbursement is made pursuant to a Debt Service Reserve Fund Credit Facility, the Bond Bank shall be obligated (but solely from the appropriations, if any, made and available pursuant to the Indenture or if otherwise available from the Trust Estate, including deposits within twelve months from the date on which such disbursement was made, to cure such deficiency, either (i) to reinstate the maximum limits of such Debt Service Reserve Fund Credit Facility or (ii) to deposit cash into the Debt Service Reserve Fund, or a combination of such alternatives, so that the Debt Service Reserve Fund is equal to the Reserve Requirement. The Trustee shall include in the total amount held in the Debt Service Reserve Fund an amount equal to the maximum principal amount which could be drawn by the Trustee under any such Debt Service Reserve Fund Credit Facility on deposit with the Trustee. Amounts required to be deposited in the Debt Service Reserve Fund shall include any amount required to satisfy a Debt Service Reserve Fund Reimbursement Obligation for any Debt Service Reserve Fund Credit Facility. The Trustee is

hereby authorized to move the amounts to satisfy the Debt Service Reserve Fund Reimbursement Obligations to the provider of the Debt Service Reserve Fund Credit Facility.

(d) If the Debt Service Reserve Fund is equal to the Reserve Requirement, the Trustee shall move the cash or Investment Securities in excess of that needed for the Debt Service Reserve Fund to be equal to the Reserve Requirement from the Debt Service Reserve Fund to the General Account or the Redemption Account, as directed by the Bond Bank.

Rebate Fund

(a) The Trustee shall establish and maintain, so long as any Bonds are outstanding and are subject to a requirement that arbitrage profits be rebated to the United States of America, a separate fund to be known as the "Rebate Fund." The Trustee shall make information regarding the Bonds and investments hereunder available to the Bond Bank and shall make deposits and disbursements from the Rebate Fund in accordance with instructions received from the Bond Bank. The Trustee shall invest the Rebate Fund as directed by the Bond Bank pursuant to the Indenture and shall deposit income from such investments immediately upon receipt thereof in the Rebate Fund.

(b) If a deposit to the Rebate Fund is required as a result of the computations made by the Bond Bank, the Trustee shall upon receipt of direction from the Bond Bank accept such payment for the benefit of the Bond Bank and make transfers of moneys from the General Account to the Rebate Fund to comply with such direction. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee shall upon direction from the Bond Bank transfer such amount to the General Account. Records of the determinations required by this Section and the investment instructions must be retained by the Trustee until six (6) years after the Bonds are no longer Outstanding.

(c) Not later than sixty (60) days after March 11, 2009, and every five (5) years thereafter, the Bond Bank shall pay to the United States of America the amount required to be paid to the United States of America as of such payment date. Not later than sixty (60) days after the final retirement of the Bonds, the Bond Bank shall pay to the United States of America the amount required to be paid to the United States of America as of such retirement date. The Trustee shall disburse moneys in the Rebate Fund for such purpose upon the written request of the Bond Bank. Each payment required to be paid to the United States of America pursuant to this Section shall be filed, together with a properly completed IRS Form 8038-T, with the Internal Revenue Service Center, Ogden, Utah 84201.

Amounts Remaining in Funds

Any amounts remaining in any Fund or Account after full payment of all of the Bonds outstanding under the Indenture, all required rebates and the fees, charges and expenses of the Trustee will be distributed to the Series 2004 B Qualified Entity except as provided in Section 3.08 of the Indenture.

LITIGATION

There is not now pending or, to the Bond Bank's knowledge, threatened any litigation: restraining or enjoining the issuance, sale, execution or delivery of the Series 2004 B Bonds; seeking to prohibit any transactions contemplated by the Indenture; or in any way contesting or affecting the validity of the Series 2004 B Bonds or the Qualified Obligations or any proceedings of the Bond Bank taken with respect to the issuance or sale of the Series 2004 B Bonds, or the Pledges (as hereinafter defined under the caption "ENFORCEABILITY OF REMEDIES") or application of any moneys or security provided for payment

of the Series 2004 B Bonds or the Qualified Obligations. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present directors or other officers of the Bond Bank to their respective offices is being contested.

TAX MATTERS

In the opinion of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel, under existing laws, interest on the Series 2004 B Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2004 B Bonds (the “Code”). The opinion of Barnes & Thornburg is based on certain certifications, covenants and representations of the Bond Bank and the Qualified Entity issuing the Series 2004 B Qualified Obligations (the “Tax Covenants”) and is conditioned on continuing compliance therewith. In the opinion of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel, under existing laws, interest on the Series 2004 B Bonds is exempt from income taxation in the State for all purposes except the State financial institutions tax. See Appendix D for the form of Bond Counsel opinion.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2004 B Bonds as a condition to the exclusion from gross income of interest on the Series 2004 B Bonds for federal income tax purposes. Noncompliance with such requirements may cause interest on the Series 2004 B Bonds to be included in gross income for federal income tax purposes retroactively to the date of issue, regardless of the date on which noncompliance occurs. Should the Series 2004 B Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Series 2004 B Bonds would be materially and adversely affected. The Tax Covenants include covenants that: (i) the Bond Bank and the Qualified Entity will not take or fail to take any action with respect to the Series 2004 B Bonds, if such action or omission would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2004 B Bonds under Section 103 of the Code, and the Bond Bank and the Qualified Entity will not act in any other manner which would adversely affect such exclusion; (ii) the Bond Bank and the Qualified Entity will not make any investment or do any other act or thing during the period that the Series 2004 B Bonds are outstanding which would cause the Series 2004 B Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code; and (iii) if required by the Code, the Bond Bank will rebate any necessary amounts to the United States of America. It is not an event of default under the Indenture or the Qualified Entity Indenture if interest on the Series 2004 B Bonds or the Qualified Obligations, respectively, is not excludable from gross income for federal income tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2004 B Bonds.

The interest on the Series 2004 B Bonds is not a specific preference item for the purpose of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2004 B Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Series 2004 B Bonds are not “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, include all corporations which are transacting the business of a financial institution in the State. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code.

Although Bond Counsel will render an opinion that interest on the Series 2004 B Bonds is excludable from gross income for federal income tax purposes and exempt from certain State income tax, the accrual or receipt of interest on the Series 2004 B Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2004 B Bonds should consult their own tax advisors with regard to other tax consequences of owning the Series 2004 B Bonds.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2004 B Bonds. Prospective purchasers of the Series 2004 B Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2004 B Bonds.

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Series 2004 B Bonds maturing on February 1 in the years 2015, and 2023 (collectively, the "Discount Bonds") is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the inside front cover of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds, will be treated as "original issue discount." The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending on February 1 and August 1 (with straight line interpolation between compounding dates). An owner who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity will treat the accrued amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

AMORTIZABLE BOND PREMIUM

The initial public offering price of the Series 2004 B Bonds maturing on February 1 in the years 2005 through 2014 inclusive, 2016, and 2018 through 2021 inclusive (collectively, the “Premium Bonds”), is greater than the principal amount payable at maturity. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the “Bond Premium”). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner’s basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer’s yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of the Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning the treatment of Bond Premium.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the holders of the Series 2004 B Bonds upon a default under the Indenture, to the Trustee or the Bond Bank under the Qualified Obligations, the Qualified Entity Purchase Agreement and the Qualified Entity Indenture, or to any party seeking to enforce the pledges securing the Series 2004 B Bonds or the Qualified Obligations (collectively, the “Pledges”) are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided (or which may be provided) in the Indenture, the Qualified Entity Purchase Agreement, the Qualified Obligations and the Qualified Entity Indenture, or to any party seeking to enforce the Pledges, may not be readily available or may be limited. Under Federal and State environmental laws, certain liens may be imposed on property of the Bond Bank or the Qualified Entity from time to time, but the Bond Bank has no reason to believe, under existing law, that any such lien would have priority over the lien on the Qualified Obligation Payments pledged to

owners of the Series 2004 B Bonds under the Indenture or over the liens pledged to the owner of the Qualified Obligations under the Qualified Entity Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Series 2004 B Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by public policy. These exceptions would encompass any exercise of the Federal, State or local police powers in a manner consistent with the public health and welfare. Enforceability of the Indenture, the Qualified Entity Purchase Agreement, the Qualified Entity Indenture and the Pledges in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2004 B Bonds are subject to the approval of Barnes & Thornburg, Indianapolis, Indiana, Bond Counsel, whose approving legal opinion will be delivered with the Series 2004 B Bonds, substantially in the form attached hereto as Appendix D. Certain legal matters will be passed on by Issuer's Counsel, Bingham McHale LLP, Indianapolis, Indiana, and Krieg DeVault LLP, Indianapolis, Indiana, counsel for the Underwriters.

RATING

S & P has assigned a rating of "A" to the Series 2004 B Bonds without municipal bond insurance, and AAA conditioned upon the issuance of the Series 2004 B Bond Insurance Policy. This rating reflects only the view of S & P and an explanation thereof may be obtained from S & P at 55 Water Street, New York, New York 10041. Such rating is not a recommendation to buy, sell or hold the Series 2004 B Bonds. There is no assurance that such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely by S & P if, in its judgment, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2004 B Bonds any proposed revision or withdrawal of the rating of the Series 2004 B Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of rating may have an adverse effect on the market price or marketability of the Series 2004 B Bonds.

UNDERWRITING

The Series 2004 B Bonds are being purchased by the Underwriters set forth on the cover page of this Official Statement. The Underwriters have agreed to purchase the Series 2004 B Bonds at an aggregate purchase price of \$18,114,712.85, which represents the par amounts set forth on the inside cover hereof, less original issue discount of \$84,413.80, less the Underwriters' discount of \$114,335.00, less the premium for the Series 2004 B Bond Insurance Policy, in the amount of \$78,208.65, less the premium for the Series 2004 B Debt Service Reserve Fund Credit Facility in the amount of \$37,644.85, plus original issue premium of \$839,315.15, pursuant to a purchase contract entered into by and between the Bond Bank and the Underwriters. Such purchase contract provides that the Underwriters will purchase all of the Series 2004 B Bonds if any are purchased.

The Underwriters have agreed to make a bona fide public offering of all of the Series 2004 B Bonds at prices not in excess of the initial public offering prices set forth or reflected inside the cover page of this Official Statement. The Underwriters may sell the Series 2004 B Bonds to certain dealers (including dealers depositing Series 2004 B Bonds into investment trusts) and others at prices lower than

the offering prices set forth inside the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The accuracy of certain mathematical computations showing that payments on the Qualified Obligations, together with other available revenues, have been structured to be sufficient to pay principal of and interest on the Series 2004 B Bonds when due will be verified by Crowe Chizek and Company LLC, independent certified public accountants. Crowe Chizek and Company LLC will also provide an escrow verification report to verify the sufficiency of the escrow being created to pay off the Series 1997 Bonds when called. Such verifications shall be based upon certain information and assumptions supplied by the Bond Bank and the Underwriters.

SERIES 2004 B BONDS AS LEGAL INVESTMENTS

Pursuant to the Act, all Indiana financial institutions, investment companies, insurance companies, insurance associations, executors, administrators, guardians, trustees, and other fiduciaries may legally invest sinking funds, money, or other funds belonging to them or within their control in bonds or notes issued by the Bond Bank.

AVAILABILITY OF DOCUMENTS AND FINANCIAL INFORMATION

Separate audited financial reports of the State and the Bond Bank, respectively, (collectively, the “Financial Reports”) are prepared annually and are presently available for the year ended June 30, 2003, and prior years. No financial reports related to the foregoing entities are prepared on an interim basis and there can be no assurance that there have not been material changes in the financial position of the foregoing entities since the date of the most recent available Financial Statements. Upon request and receipt of payment for reasonable copying, mailing and handling charges, the Bond Bank will make available copies of the most recent Financial Reports, any authorizing or governing instruments defining the rights of owners of the Series 2004 B Bonds or the owners of the Qualified Obligations and available financial and statistical information regarding the Bond Bank, the County and the Qualified Entity. Requests for documents and payments therefor should be directed and payable to the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204.

CONTINUING DISCLOSURE

Pursuant to disclosure requirements set forth in Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), and the terms of the Continuing Disclosure Undertaking Agreement (the “Undertaking”), among the State, the Bond Bank and the Trustee, the State will agree to provide or cause to be provided through the Trustee or the Bond Bank, as dissemination agent, the following annual financial information and operating data, as long as the State is an “obligated person” (within the meaning of the Rule) with respect to the Bonds (or until such time as the Bonds may be defeased or paid in full, all as more fully set forth in the Undertaking):

1. Audited Financial Statements. To each nationally recognized municipal securities information repository (“NRMSIR”) and to the Indiana state information depository, if any (the “State Depository”), when and if available, the audited financial statements of the State for each fiscal year of the State, beginning with the fiscal year ended June 30, 2004, together with the independent auditor’s report and all notes thereto; if audited financial statements are not available within 220 days following the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2004, the Annual

Information (as defined below) shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Information when they become available; and

2. Financial Information in this Official Statement. To each NRMSIR and to the State Depository, if any, within 220 days of the close of the fiscal year of the State, beginning with the fiscal year ended June 30, 2004, annual financial information, other than the audited or unaudited financial statements described above, including operating data of the type provided in Appendix A – “FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA.”

(The information described in items 1 and 2 above is referred to as the “Annual Information.”)

Pursuant to the terms of the Undertaking, the Bond Bank (and the State, but only to the extent the State shall have actual knowledge of such event) will also agree to provide to each NRMSIR or to the Municipal Securities Rulemaking Board (the “MSRB”), and to the State Depository, if any, the following event notices, if material, and in a timely manner:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- modifications to the rights of Bondholders;
- Bond calls (other than scheduled mandatory sinking fund redemptions for which notice is given in accordance with the Indenture and as described in the Final Official Statement);
- defeasances;
- release, substitution or sale of property securing repayment of the Bonds; and
- rating changes.

The State or the Bond Bank may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above. If the State or the Bond Bank choose to provide any such additional information, they will have no obligation to update such information or include it in any future Annual Information or Event Notice.

The Qualified Entity, while the Bonds are outstanding, has agreed to provide to the Bond Bank the preceding event notices with regard to the Qualified Obligations, if material, and in a timely manner, and has agreed to provide the following information while any Qualified Obligations are outstanding:

Financial Information. An update of the financial information and operating data relating to the Qualified Entity and the County of the same nature as that contained in Appendix B to each NRMSIR, to the State Depository, if any, and to the Bond Bank, within 180 days after each December 31, commencing with the calendar year ending December 31, 2003.

Audited Financial Statements. To each NRMSIR, to the State Depository, if any, and to the Bond Bank, when and if available, the audited financial statements of the County as prepared and examined by the State Board of Accounts for each twelve (12) month period ending December 31, commencing with the year ending December 31, 2003, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt of such statements from the State Board of Accounts.

Failure to Disclose

In a timely manner, the Trustee shall notify each NRMSIR or the MSRB, and the State Depository, if any, of any failure on the part of the State to provide the Annual Information. If any information relating to the State can no longer be provided because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the State to each NRMSIR and to the State Depository, if any, along with the Annual Information required as specified above and containing such information as is still available, will satisfy the State's undertaking to provide the Annual Information. To the extent available, the State will cause to be filed along with the Annual Information operating data similar to that which can no longer be provided.

Accounting Principles

The accounting principles pursuant to which the financial statements of the State will be prepared will be generally accepted accounting principles, as in effect from time to time or those mandated by State law from time to time.

Remedies

The Undertaking is solely for the benefit of the holders and beneficial owners of the Bonds and creates no new contractual or other rights for the SEC, any underwriters (other than the Underwriters), brokers, dealers, municipal securities dealers, potential customers, or other obligated persons or any other third party. The sole remedy against the State for any failure to carry out any provision of the Undertaking shall be for specific performance of the State's disclosure obligations under the Undertaking. Failure on the part of the State to honor its covenants thereunder shall not constitute a breach or default of the Bonds, the Indenture or any other agreement to which the State or the Bond Bank is a party. This remedy may be exercised by any holder or beneficial owner of the Bonds who may seek specific performance by court order to cause the State to comply with its disclosure obligations under the Undertaking.

Modification of Undertaking

The Bond Bank, the State and the Trustee may, from time to time, amend or modify any provision of the Undertaking without the consent of the holders or the beneficial owners of the Bonds if either: (a) (i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Bond Bank or the State, or type of business conducted, (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date of the Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interest of the holders or beneficial owners of the Bonds, as determined either by (A) any person selected by the State that is unaffiliated with the State (including the Trustee) or (B) an approving vote of the holders of the requisite percentage of Outstanding Bonds as required under the Indenture at the time of such amendment or modification; or (b) such amendment or waiver (including an amendment which rescinds the Undertaking) is permitted by law or the Rule, as then in effect.

The Annual Information for the fiscal year during which any such amendment or modification occurs that contains the amended or modified Annual Information will explain, in narrative form, the reasons for such amendment or waiver and the impact of the change in the type of Annual Information being provided.

Copies of the Undertaking are available from the Bond Bank upon request.

Compliance With Previous Undertakings

In the previous five years, the State, the Bond Bank, the Qualified Entity, the Redevelopment Commission and the County have never failed to comply in all material respects with any previous undertakings in a written contract or agreement that any of them entered into pursuant to subsection (b)(5) of the Rule.

MISCELLANEOUS

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2004 B Bonds, the security for the payment of the Series 2004 B Bonds and the rights of the owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the offices of the Underwriters. Following delivery of the Series 2004 B Bonds, copies of such documents may be examined at the offices of the Bond Bank.

Any statements made in this Official Statement involving matters of opinions or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is submitted in connection with the issuance and sale of the Series 2004 B Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement among the Bond Bank, the Qualified Entity, the Trustee or the Underwriters and the purchasers or owners of any Series 2004 B Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank.

INDIANA BOND BANK

By: /s/ Tim Berry
Tim Berry, Chairman, Ex Officio

APPENDIX A

FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA

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APPENDIX A

**FINANCIAL AND ECONOMIC
STATEMENT FOR THE STATE OF INDIANA**

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I. INTRODUCTION

This Financial and Economic Statement (the “Statement” and “Appendix A”) for the State of Indiana (the “State”) includes a discussion of the State’s economic and fiscal condition, the results of operations for the past two fiscal years and revenue and expenditure projections through the end of the biennium ending June 30, 2005. The information is compiled on behalf of the State by the State Budget Agency and the Public Finance Office and includes information and data taken from the Budget Agency’s unaudited reports. It also includes information obtained from other sources the State believes to be reliable. Information included in the section titled “Litigation” has been furnished by the office of the State Attorney General.

This Appendix A is dated as of January 15, 2004. The State expects to update the Statement not less than annually. The status of this Statement or any updates or supplements may be obtained by contacting the Public Finance Office, State of Indiana, One North Capitol, Suite 900, Indianapolis, Indiana 46204; Telephone (317) 233-4332. This Statement should be read in its entirety, together with any supplements.

II. STRUCTURE OF STATE GOVERNMENT

Division of Powers

The State constitution divides the powers of State government into three separate departments: the executive (including the administrative), the legislative and the judicial. Under the State constitution, no person in any one department may exercise any function of another department unless expressly authorized to do so by the constitution.

Executive Department

The executive department of the State is comprised of the Governor, Lieutenant Governor, Secretary of State, Auditor of State, Treasurer of State, Attorney General, Superintendent of Public Instruction and Clerk of the Supreme Court and Court of Appeals. All are elected for four-year terms, with the terms of the Lieutenant Governor, Attorney General and Superintendent of Public Instruction coinciding with that of the Governor.

The State constitution requires the Governor to “take care that the laws are faithfully executed.” The Governor may recommend legislation to the General Assembly of the State (the “General Assembly”), may call special sessions of the General Assembly and may veto any bill passed by the General Assembly (although such veto may be overridden if the bill is re-passed by a majority of *all* the members elected to each house of the General Assembly). If the Governor vacates the office or is unable to discharge the Governor’s duties, the Lieutenant Governor discharges the powers and duties as Acting Governor until the next general election.

The Lieutenant Governor serves as the President of the State Senate and casts the deciding vote whenever the Senate is equally divided. The Lieutenant Governor also serves as director of the State Department of Commerce, the Commissioner of Agriculture, the chairman of the Indiana Housing Finance Authority, the secretary manager of the Indiana Development Finance Authority and a member of the Indiana State Office Building Commission.

The Secretary of State attests official State documents issued by the Governor, maintains records of elections and administers State laws regulating the sale and trading of securities and corporate and Uniform Commercial Code filings.

The Treasurer of State is responsible for holding and investing all State revenues and disburses money upon warrants issued by the Auditor of State. The Treasurer of State is a member of the State Board of Finance, Indiana Transportation Finance Authority, Indiana Housing Finance Authority, Indiana Development Finance Authority and State Office Building Commission. The Treasurer of State is Secretary-Investment Manager of the State Board for Depositories and chairs the Indiana Bond Bank and Indiana Education Savings Authority.

The Auditor of State maintains the State’s centralized financial accounting system for all State agencies. Responsibilities include accounting for receipts and disbursements of the State, as well as issuing payroll for most

State employees. The Auditor of State is required by statute to prepare and publish annual statements of State funds, outlining receipts and disbursements of each State department and agency. The Auditor of State is a member of the State Board of Finance, State Office Building Commission, State Board for Depositories and Information Technology Oversight Commission.

The Attorney General is the chief legal officer of the State and is required to represent the State in every lawsuit in which the State is a party. The Attorney General, upon request, gives legal opinions regarding particular statutes to the Governor, members of the General Assembly and officers of the State.

The Superintendent of Public Instruction chairs the State Board of Education, which establishes policies and directives for implementation by the Indiana Department of Education. The Superintendent of Public Instruction oversees the Department of Education.

The Clerk of the Supreme Court and Court of Appeals performs the clerical and administrative duties required by the two highest courts of the State.

Legislative Department

The legislative authority of the State is vested in the General Assembly, which is comprised of the House of Representatives and the Senate. The House of Representatives consists of 100 members who are elected for two-year terms beginning in November of each even-numbered calendar year. The Senate consists of 50 members who are elected for four-year terms, with one-half of the Senate elected biennially. The Speaker presides over the House of Representatives. The members of the House of Representatives select the Speaker from among the ranks of the House. The Lieutenant Governor is President of the Senate.

By law, the term of each General Assembly extends for two years, beginning in November of each even-numbered calendar year. The first regular session of every General Assembly occurs in the following odd-numbered year, convening not later than the second Monday in January and adjourning not later than April 29. The second regular session occurs in the following year, convening not later than the second Monday in January and adjourning not later than March 14.

Pursuant to the State constitution, special sessions of the General Assembly may be convened by the Governor at any time if, in the Governor's opinion, "the public welfare shall require." By statute, a special session of the General Assembly may not exceed 30 session days during a 40-calendar-day period. The Governor cannot limit the subject of any special session or its scope.

Judicial Department

The State constitution provides that the "judicial power of the State shall be vested in one Supreme Court, one Court of Appeals, Circuit Courts, and such other courts as the General Assembly may establish."

The Judicial Nominating Commission (comprised of the Chief Justice or his appointee, three attorneys elected by the attorneys of Indiana and three non-attorney citizens appointed by the Governor) evaluates the qualifications of potential candidates for vacant seats on the Supreme Court and Court of Appeals. When a vacancy occurs in either court, the Judicial Nominating Commission submits the names of three nominees and the Governor selects one of the three. If the Governor fails to choose among the nominees within 60 days, the Chief Justice is required to make the appointment.

The initial term of each newly appointed justice and judge is two years, after which the justice or judge is subject to a "yes" or "no" referendum at the time of the next general election. For justices of the Supreme Court, the entire State electorate votes on the question of approval or rejection. For Court of Appeals judges, the referendum is by district. Those justices and judges receiving an affirmative vote from the voting public serve a ten-year term, after which they are again subject to referendum. Justices and judges are prohibited from taking part in political campaigns and must retire by age 75.

III. FISCAL POLICIES

Fiscal Years

The State's Fiscal Year is the twelve-month period beginning on July 1 and ending on June 30 of the succeeding calendar year (a "Fiscal Year").

Accounting System

The State maintains a central accounting system that processes all payments for State agencies and institutions with the exception of State colleges and universities. The Auditor of State is responsible for the pre-audit of all payments, the issuance of all warrants and the maintenance of the accounting system.

Budgetary control is fully integrated into the accounting system. Legislative appropriations are entered into the system as an overall spending limit by account for each agency within each fund, but appropriations are not available for expenditure until allotted by the Budget Agency. Allotments authorize an agency to spend a portion of its appropriation. The Budget Agency makes quarterly allotments. Capital is allotted as projects are approved by the State Budget Committee.

The accounting system is maintained using the cash basis of accounting. At year-end, accruals are recognized as necessary to convert from the cash basis of accounting. Government-wide financial statements are recognized as full accrual basis of accounting and fund statements are recognized as modified accrual basis of accounting in accordance with generally accepted accounting principles for government financial reporting purposes.

Fund Structure

Funds are used to record the financial activities of State government. There are three major fund types: Governmental, Proprietary and Fiduciary.

Governmental Funds. Governmental Funds are used to account for the State's general governmental activities and use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they are "measurable and available"). Expenditures are recorded when the related fund liability is incurred, except that (i) unmatured interest on general long-term debt is recognized when due and (ii) certain compensated absences and related liabilities and claims and judgments are recognized when the obligations are expected to be liquidated. Governmental Funds include the following fund types:

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government that are not required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. There are several Special Revenue Funds including the Motor Vehicle Highway Fund, which receives revenues from gasoline taxes and motor vehicle registrations and operator licensing fees and distributes those revenues among the State and its counties, cities and towns to be used for the construction, reconstruction, improvement, maintenance and policing of highways and secondary roads.

The Property Tax Replacement Fund ("PTR Fund") is also reported as a Special Revenue Fund by the Auditor of State. The PTR Fund is funded from 50% of State sales and use tax revenues, a portion of individual income tax receipts, and a portion of Gaming Revenues described below. The PTR Fund is used to provide (i) property tax relief and (ii) local school aid. Although reported as a Special Revenue Fund, it is helpful to combine the receipts and disbursements of the PTR Fund with those of the General Fund, so as to provide a more complete and accurate description of State receipts and discretionary expenditures, especially as those expenditures relate to local school aid. For that reason, the General Fund and PTR Fund are sometimes discussed in this

Appendix A as a single, combined fund. See “FINANCIAL RESULTS OF OPERATIONS—Fund Balances—Combined General and PTR Fund.”

Debt Service Funds are used to account for the accumulation of resources and payment of bond principal and interest from special revenue component units that are bodies corporate and politic with the legal authority to issue bonds to finance certain improvements within the State.

Capital Projects Funds are used to account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Capital Projects Funds include the Post War Construction Fund, Build Indiana Fund, Soldiers and Sailors Children’s Home Fund, Veterans Home Fund, State Police Building Commission Fund, Law Enforcement Academy Building Fund, Interstate Bridge Fund and Major Construction-Indiana Army National Guard Fund.

Proprietary Funds. Proprietary Funds are used to account for a government’s business-type activities. They use the accrual basis of accounting. There are two types of Proprietary Funds, Enterprise Funds and Internal Service Funds. Enterprise Funds are used to account for provision of services to customers outside the government. Examples are the State Lottery Commission and Inns and Concessions. Internal Service Funds are used to account for provision of services to other funds, departments or agencies of the government. An example is the State Office Building Commission.

Fiduciary Funds. Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support government programs. They use the accrual basis of accounting. Indiana has three types of these funds: Pension Trust Funds, Private-purpose Trust Funds, and Agency Funds. Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. Examples are the State Police Pension Fund and the Employees’ Deferred Compensation Fund. Private-purpose Trust Funds are used to report any trust arrangement not properly reported in a pension trust fund or an investment trust fund under which principal and income benefit individuals, private organizations, or other governments. Examples are the Student Loan Program Fund and the Abandoned Property Fund. Agency Funds are used to account for situations where the government’s role is purely custodial, such as the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. Examples are the Child Support Fund and the Local Distributions Fund.

Budget Process

State Budget Agency. The Budget Agency is responsible for preparing the State budget. After the budget is enacted by the General Assembly, the Budget Agency has extensive statutory authority to administer it. The chief executive officer of the Budget Agency is the State Budget Director, who is appointed by the Governor. The Governor also appoints two Deputy Budget Directors; by law, the deputies must be of different political parties.

State Budget Committee. The Budget Committee consists of the State Budget Director and four State legislators. The Budget Committee oversees the preparation of the budget and administration of capital budgets after enactment. The legislative members of the Budget Committee consist of two members of the Senate, appointed by the President *pro tempore* of the Senate, and two members of the House of Representatives, appointed by the Speaker of the House of Representatives. One of the two appointees from each chamber must be nominated by the minority floor leader. Four alternate members of the Budget Committee must be legislators selected in the same manner as regular members. An alternate member participates and has the same privileges as a regular member, except that an alternate member votes only if the regular member from the alternate member’s respective chamber and political party is not present. The legislators serve as liaisons between the executive and legislative departments and provide fiscal information to their respective caucuses.

Budget Development. The State’s budget process is set out in statute. The State operates under a two-year budget; the legislature enacts one act containing two annual budgets. On or before the first day of September in each even-numbered year, all State agencies, including State-supported higher education institutions and public employee and teacher pension fund trustees, submit budget requests to the Budget Agency. The Budget Agency then conducts an internal review of each request. In September of each even-numbered year, the Budget Committee

begins hearings on budget requests. After presentations by the agencies and the Budget Agency, the Budget Committee makes budget recommendations to the Governor.

Revenue Projections. Revenue projections are prepared by the State's Technical Forecast Committee. The Economic Forecast Committee is responsible for forecasting independent variables that may be employed by the Technical Forecast Committee to derive the State's revenue projections. The Economic Forecast Committee is currently comprised of seven economists from Indiana and a special adviser associated with the Federal Reserve Bank of Chicago, all of whom serve at the request of the Governor and without pay. Members of the Economic Forecast Committee have detailed knowledge of the State and national economies, the banking community and the Federal Reserve System and have access to a national econometric model.

The Technical Forecast Committee is responsible for developing econometric models used to derive the State's revenue projections and for monitoring changes in State and federal laws that may have an impact on State revenues. Each regular member of the Budget Committee appoints a member of the Technical Forecast Committee. Members of the Budget Committee appoint one additional member from a higher education institution for a total of six members. Members of the Technical Forecast Committee are individuals with expertise in public finance.

No formal contact occurs between the Economic Forecast Committee and the Technical Forecast Committee until the chair of each group reports to the Budget Committee, although the Economic Forecast Committee provides the economic assumptions used by the Technical Forecast Committee in preparing revenue projections. The report presented by the Technical Forecast Committee is a consensus forecast in which Democratic and Republican legislators and the executive and legislative departments are involved.

Budget Report. The budget report and budget bill are prepared by the Budget Committee with the Budget Agency's assistance. The budget report and bills are based upon the recommendations and estimates prepared by the Budget Agency and the information obtained through hearings and other inquiries. If the Budget Agency and a majority of the members of the Budget Committee differ upon any item, matter or amount to be included in the budget report and bill, the recommendation of the Budget Agency is included in the bill. The particular item, matter or amount, and the extent of and reasons for the differences between the Budget Agency and the Budget Committee must be stated fully in the budget report.

Before the second Monday of January in the year immediately after their preparation, the Budget Committee submits the budget report and bill to the Governor. The Governor then delivers such budget bill to the Budget Committee members appointed by the Speaker of the House of Representatives for introduction in the House. Although there is no law that requires a budget bill to originate in the House, by tradition, the House passes budget bill first and sends it to the Senate for consideration.

The budget report includes (a) a statement of policy, (b) a general summary, (c) detailed data on actual receipts and expenditures for the previous budget period, (d) a description of the State capital improvement program, and (e) the budget bill.

Appropriations. Within 45 days following the adjournment of each regular session of the General Assembly or within 60 days following a special session of the General Assembly, the Budget Agency is required to prepare a list of all appropriations made for the budget period beginning on July 1 following such session, or for such other period as may be provided in the appropriation. The State Budget Director is required to prepare a written review and analysis of the fiscal status and affairs of the State as affected by the appropriations. The report is forwarded to the Governor, the Auditor of State and each member of the General Assembly.

On or before the first day of June of each calendar year, the Budget Agency is required to prepare a list of all appropriations made for expenditure or encumbrance for the ensuing Fiscal Year. The Auditor of State then establishes the necessary accounts based upon the list.

Intra-Agency Transfers. The Budget Agency is responsible for administering the State budget after it is enacted. By statute, the Budget Agency may, with the approval of the Governor and the State Budget Director, transfer, assign or reassign all or any part of any appropriation made to any agency for a specific use or purpose to

another use or purpose, except any appropriation made to the Indiana State Teachers' Retirement Fund. The Budget Agency may take such action only if the transfer, assignment or reassignment is to meet a use or purpose that an agency is required or authorized by law to perform. The agency whose appropriation is involved must approve the transfer, assignment or reassignment.

Contingency Appropriations. The General Assembly may also make "contingency appropriations" to the Budget Agency, which are general and unrelated to any specific State agency. In the absence of other directions imposed by the General Assembly, contingency appropriations must be for the general use of any agency of the State and must be for its contingency purposes or needs, as the Budget Agency in each situation determines. The Budget Agency fixes the amount of each transfer and orders the transfer from such appropriations to the agency. By law, the Budget Agency may make and order allocations and transfers to, and authorized expenditures by, the various State agencies to achieve the purposes of such agencies or to meet the following:

1. necessary expenditures for the preservation of public health and for the protection of persons and property that were not foreseen when appropriations were last made;
2. repair of damage to, or replacement of, any building or equipment owned by the State which has been so damaged so as to materially affect the public safety or utility thereof, or which has so deteriorated as to become unusable if such deterioration was not foreseen when appropriations were last made;
3. emergencies resulting from an increase in costs or any other factor or event that was not foreseen when appropriations were last made, or
4. without limiting the foregoing, supplement an exhausted fund or account of any State agency, whatsoever the cause of such exhaustion, if such is found necessary to accomplish the orderly administration of the agency, or the accomplishment of an existing specific State project.

These provisions may not change, impair or destroy any fund previously created nor affect the administration of any contingency appropriations previously or subsequently made for specific purposes.

State Board of Finance

The State Board of Finance (the "Finance Board") consists of the Governor, the Treasurer of State and the Auditor of State. The Finance Board elects from its membership a president, who, by tradition, is the Governor. The Auditor of State is the secretary of the Finance Board. The Finance Board is responsible for supervising the fiscal affairs of the State and has advisory supervision of the safekeeping of all funds coming into the State treasury and all other funds belonging to the State coming into the possession of any State agency or officer. The Finance Board may transfer money between funds, except trust funds, and the Finance Board may transfer money between appropriations for any State board, department, commission, office or benevolent or penal institution.

The Finance Board has statutory authority to negotiate loans on behalf of the State for the purpose of meeting "casual deficits" in State revenues. A loan may not be for a period longer than four years after the end of the Fiscal Year in which it is made. If sufficient revenues are not being received by the General Fund to repay the loan when due, the Finance Board may levy a tax on all taxable property in the State sufficient to pay the amount of the indebtedness. The Finance Board has never negotiated a loan to meet a deficit in State revenues.

Cash Management and Investments

The Treasurer of State is responsible for the receipt, custody and deposit of all moneys paid into the State Treasury and keeps daily accounts of all funds received into the Treasury and all moneys paid out of it. The Treasurer of State is responsible for investing the General Fund, the PTR Fund and more than 60 other funds. Indiana Code 5-13 sets forth certain limitations on the types and amounts of investments in which the Treasurer of State may invest State funds. These investments generally include securities (a) that are backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and (b) issued by the United States

Treasury, a federal agency, a federal instrumentality or a federal government sponsored enterprise, as well as (c) other securities specified in statute. Additionally, investments may include repurchase agreements fully collateralized by securities listed in (a) and (b) above and certain deposit accounts insured by the Public Deposit Insurance Fund. No more than 25% of the total portfolio invested by the Treasurer of State may be made in securities maturing from two to five years, and no such security may have a maturity in excess of five years.

Audits

The State Board of Accounts is the State agency responsible for (a) auditing all State and local units of government and (b) approving uniform systems of accounting for such governments.

The State Board of Accounts performs its financial and compliance audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. The State Board of Accounts issues its opinion on the fairness of financial statements and their conformity to generally accepted accounting principles for the State agencies and local units of government it audits, including the comprehensive annual financial report (or CAFR) prepared annually by the Auditor of State.

Certain Financial Information Incorporated by Reference; Availability from NRMSIRs, State

The Indiana Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2003 (the “2003 Financial Report”) is incorporated into this Appendix A by reference. So long as the State is deemed to be an “obligated person” under the meaning of Rule 15c2-12 of the Securities and Exchange Commission, it will file annually such a financial report with the following Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”) in accordance with SEC Rule 15c2-12: Bloomberg Municipal Repository, FT Interactive Data, DPC Data, Inc., and Standard & Poor’s Securities Evaluations, Inc.

A copy of the 2003 Financial Report may be obtained from the NRMSIRs. In addition, the 2003 Financial Report may be found at: <http://www.in.gov/idfa/pfo>.

The 2003 Financial Report that may be found at the referenced website is intended to provide financial information about the State prepared and published by the Auditor of State. It is not, by itself, intended to present investment information about any particular revenue bond issue, including the revenue bonds offered with this Appendix A, within the meaning of applicable securities laws. Investment decisions should be made only after full review of the official statement for a particular revenue bond issue, including the revenue bonds offered with this Appendix A.

The 2003 Financial Report that may be found at the referenced website speaks only as of its date. There should be no implication that there has been no change in the financial or other affairs of the State or any other person described in this Statement or in the 2003 Financial Report after the date of the 2003 Financial Report.

IV. STATE BUDGET PROFILE AND FINANCIAL RESULTS OF OPERATIONS

Operating Revenues

While certain revenues of the State are required by law to be credited to particular funds other than the General Fund, the requirement is primarily for accounting purposes and may be changed. Substantially all State revenues are general revenues until applied. No lien or priority is created to secure the application of such revenues to any particular purpose or to any claim against the State. All revenues not allocated to a particular fund are credited to the General Fund. The general policy of the State is to close each Fiscal Year with a surplus in the General Fund and a zero balance in all other accounts, except for certain dedicated and trust funds and General Fund accounts reimbursed in arrears.

Although established by law as a special revenue fund, it is helpful to combine the receipts and disbursements of the PTR Fund with those of the General Fund to provide a more complete and accurate description of State receipts and discretionary expenditures, especially as those expenditures relate to local school aid. For this

purpose, the combined receipts are referred to as “State Operating Revenues” and “Operating Revenues.” Operating Revenues are defined as the total of General Fund and PTR Fund revenues forecasted by the Technical Forecast Committee. Total Operating Revenues together with “DSH revenues” transferred to the General Fund, plus transfers from other funds when necessary and available, are used in the determination of the State’s unappropriated balance reflected on the Combined General and PTR Fund Unappropriated Reserve Statement. “DSH” is an acronym for “Disproportionate Share for Hospitals (federal funds),” and DSH revenues constitute additional Medicaid reimbursements provided to the State for hospitals that serve disproportionately large numbers of poor people. See “Fund Balances—Combined General and PTR Fund.”

Major General Fund and PTR Fund Revenue Sources

Sales and use and corporate and individual income taxes are the three primary sources of State Operating Revenues. In addition, legislation passed by the 2002 General Assembly, directs the deposit of wagering taxes into the PTR Fund, making wagering taxes another source of Operating Revenues beginning in Fiscal Year 2003. Table IV-1 provides annual revenues by source and growth rates over time. The following is a summary of Operating Revenues.

Sales and Use Taxes. The 2002 General Assembly, meeting in Special Session, increased the sales and use tax rate from 5.0% to 6.0%, effective December 1, 2002. This tax is imposed on sales and rentals of tangible personal property and the sale of certain services, including the furnishing of public utility services and the rental or furnishing of public accommodations such as hotel and motel room rentals. In general, the complementary 6.0% use tax is imposed upon the storage, use or consumption of tangible personal property in the State. Some of the major exemptions from the sales and use taxes are sales of certain property to be used in manufacturing, agricultural production, public transportation or governmental functions, sales for resale, food sold in grocery stores and prescription drugs. Prior to the 2002 increase, the sales and use tax rate was last increased in Fiscal Year 1983.

Corporate Income Taxes. As part of tax restructuring legislation passed in 2002, the General Assembly repealed the gross income tax and the supplemental corporate net income tax and increased the corporate adjusted gross income tax rate to 8.5% of apportioned Indiana adjusted gross income (AGI). These changes were effective January 1, 2003.

The adjusted gross income tax is applicable to corporations doing business in the State. Prior to the change in tax rate, the effective rate for a taxpayer paying adjusted gross income tax and supplemental net income tax was 7.47%. AGI is federal taxable income with certain additions and subtractions. Certain international banking facilities and insurance companies, S corporations and tax-exempt organizations (to the extent their income is exempt for federal tax purposes) are not subject to the adjusted gross income tax. Adjusted gross income tax collections are allocated to the General Fund.

The utilities receipts tax is based on gross receipts from retail utility sales. It is imposed at a rate of 1.4% and was effective January 1, 2003. Utilities must also pay the corporate adjusted gross income tax.

Individual Adjusted Gross Income Tax. Adjusted gross income (federal adjusted gross income modified by adding back certain federal adjustments and subtracting certain federal exemptions and deductions) of residents and non-residents with income derived from Indiana sources is taxed at 3.4%. All revenues derived from the collection of the adjusted gross income tax imposed on persons are credited to the General Fund and PTR Fund. State individual income tax rates were last increased effective Calendar Year 1988.

Wagering Tax. The wagering tax is applied to the adjusted gross receipts of riverboat gambling operations in Indiana. Prior to Fiscal Year 2003, all wagering taxes earned by the State were deposited into the Build Indiana Fund. Legislation passed by the Special Session of the 2002 General Assembly changed the collection and distribution of wagering taxes and allowed riverboats to implement flexible scheduling, enabling patrons to gamble while a riverboat is docked. The legislation imposes a graduated wagering tax on riverboats that adopt flexible scheduling. The graduated tax is set at 15% of the first \$25.0 million of adjusted gross receipts in a fiscal year, 20% of receipts between \$25.0 million and \$50.0 million, 25% of receipts between \$50.0 million and \$75.0 million, 30% of receipts between \$75.0 million and \$150.0 million, and 35% of adjusted gross receipts in excess of

\$150.0 million. The wagering tax on riverboats that do not implement flexible scheduling increased from 20% to 22.5% of adjusted gross receipts; however, all riverboats operating in Indiana have implemented flexible scheduling.

The legislation also changed the distribution of wagering taxes. The first \$33.0 million of wagering taxes collected in the State's fiscal year must be set aside for revenue sharing among local units of government that do not have riverboats. Of the remaining revenue, 25% is distributed to the cities and counties with riverboat operations, and 75% is deposited in the PTR Fund. From the revenue distributed to the PTR Fund, an amount is distributed annually to the Build Indiana Fund.

Other Operating Revenues. Other revenues ("Other Revenues") are derived from Cigarette Taxes, Alcoholic Beverage Taxes, Inheritance Taxes, Insurance Taxes, Interest Earnings and miscellaneous revenue. In 2002, the General Assembly increased the cigarette tax by \$0.40 per pack, to \$0.555 per pack, and increased the tax on other tobacco products by 3%.

Revenue History

Annual percentage changes for each component of Operating Revenues are reflected in Table IV-1. The table also includes actual revenue for prior Fiscal Years as well as forecasted revenue for Fiscal Years 2003, 2004 and 2005.

Table IV-1
State Operating Revenues
(Millions of Dollars)

	<u>Sales Tax</u>	<u>Individual Income</u>	<u>Corporate Income</u>	<u>Wagering Tax</u>	<u>Other⁽¹⁾</u>	<u>Total</u>
FY 1998 ⁽²⁾	3,250.9	3,434.8	1,015.5	N/A	720.2	8,421.4
FY 1999 ⁽²⁾	3,396.0	3,699.3	1,044.4	N/A	743.5	8,883.2
FY 2000 ⁽²⁾	3,651.4	3,753.3	985.3	N/A	752.7	9,142.7
FY 2001 ⁽²⁾	3,686.8	3,779.8	855.3	N/A	730.1	9,052.0
FY 2002 ⁽²⁾	3,761.4	3,540.8	709.4	N/A	697.2	8,708.9
FY 2003 ⁽²⁾	4,172.4	3,644.2	729.2	430.7	903.6	9,880.1
FY 2004 ⁽³⁾	4,716.1	3,780.4	608.3	593.9	862.7	10,561.5
FY 2005 ⁽³⁾	4,937.5	3,971.8	630.9	599.3	862.3	11,001.8
<u>% Change from Prior Year</u>						
FY 1999 ⁽²⁾	4.5%	7.7%	2.8%		3.2%	5.5%
FY 2000 ⁽²⁾	7.5%	1.5%	-5.7%		1.2%	2.9%
FY 2001 ⁽²⁾	1.0%	0.7%	-13.2%		-3.0%	-1.0%
FY 2002 ⁽²⁾	2.0%	-6.3%	-17.1%		-4.5%	-3.8%
FY 2003 ⁽²⁾	10.9%	2.9%	2.8%	N/A	29.6%	13.4%
FY 2004 ⁽³⁾	13.0%	3.7%	-16.6%	37.9%	-4.5%	6.9%
FY 2005 ⁽³⁾	4.7%	5.1%	3.7%	0.9%	0.0%	4.2%

⁽¹⁾ See "Major General Fund and PTR Fund Revenue Sources—Other Operating Revenue."

⁽²⁾ Actual, but unaudited Operating Revenues.

⁽³⁾ Forecasted Operating Revenues. The forecasted Operating Revenues are adjusted to reflect the tax increases enacted in 2002, which include a sales tax increase from 5% to 6%, effective December 1, 2002; a cigarette tax increase from \$0.155 to \$0.555, effective July 1, 2002; and wagering tax increases, effective July 1, 2002. A portion of wagering tax revenues are deposited in the PTR Fund. See "Financial Results of Operations."

Source: State Budget Agency

Lottery and Gaming Revenues

By statute, certain revenues from the Hoosier Lottery, horse racing pari-mutuel wagering tax and charity gaming taxes and license fees (collectively, "Gaming Revenues") must be deposited in the Build Indiana Fund. In 2002, the General Assembly enacted annual distributions of wagering tax revenue to the BIF in the amount of

\$250.0 million per year less the annual amounts distributed to the BIF from Hoosier Lottery profits, charitable gaming taxes and license fees and pari-mutuel wagering taxes. Any revenue in excess of \$250.0 million is to remain in the PTR Fund. For a description of wagering taxes, *see* “Major General Fund and PTR Fund Revenue Sources—Wagering Tax.”

Before Hoosier Lottery profits are transferred to the Build Indiana Fund, \$60 million annually is used to fund local government pension liabilities. All lottery and gaming revenues deposited to BIF are appropriated by the General Assembly, and the statute that governs deposits of those revenues also governs priority of distribution in the event that revenues fall short of appropriations. At present, the highest distribution priority (after pension account transfers) is to the State’s counties for motor vehicle excise tax replacement, providing a substantial cut in the excise tax charged on motor vehicles—\$236.2 million for Fiscal Year 2003.

For Fiscal Year 2003, Gaming Revenues totaling \$607.8 million were collected by the State from the following sources:

Hoosier Lottery	\$168.7 million
Riverboat gaming	430.7 million
Horse racing	3.0 million
Charity gaming	4.5 million
Interest earnings	0.9 million

Source: State Budget Agency

Operating Expenditures

The General Assembly appropriated \$22,786.5 million of General Fund and PTR Fund revenues for Fiscal Years 2004 and 2005. Actual expenditures may differ from appropriated levels as a result of a number of factors, including unforeseen expenses and executive and legislative action. The State’s five largest expenditure categories include local school aid, higher education, property tax relief, Medicaid and Correction. These five categories constitute approximately 86.2% of all appropriations for Fiscal Years 2004 and 2005. Table IV-2 sets forth operating expenditures, estimates and appropriations for all major expenditure categories for Fiscal Years 1998 through 2005.

Table IV-2
Expenditures and Appropriations

	<u>Local</u> <u>School Aid</u>	<u>Property</u> <u>Tax Relief</u>	<u>Higher</u> <u>Education</u>	<u>Medicaid</u>	<u>Correction</u>	<u>Other</u>	<u>Total</u>
FY 1998 ⁽¹⁾	3,423.1	873.3	1,180.5	913.3	403.9	1,504.3	8,298.4
FY 1999 ⁽¹⁾	3,691.8	946.7	1,248.0	948.5	410.9	1,802.4	9,048.3
FY 2000 ⁽¹⁾	3,894.0	1,078.6	1,331.5	986.1	473.5	1,829.8	9,593.5
FY 2001 ⁽¹⁾	4,172.8	1,220.0	1,331.3	1,110.9	547.2	1,635.5	10,017.7
FY 2002 ⁽¹⁾	3,889.5	1,209.9	1,294.7	1,138.0	582.1	1,592.9	9,707.1
FY 2003 ⁽²⁾	4,214.1	1,638.5	1,389.4	1,247.0	569.0	1,629.5	10,687.5
FY 2004 ⁽³⁾	4,253.6	2,115.2	1,474.4	1,266.4	589.3	1,581.9	11,280.7
FY 2005 ⁽³⁾	4,302.5	2,243.9	1,527.7	1,266.4	591.4	1,573.9	11,505.8
	<u>% Change from Prior Year</u>						
FY 1999 ⁽¹⁾	7.8%	8.4%	5.7%	3.9%	1.7%	19.8%	9.0%
FY 2000 ⁽¹⁾	5.5%	13.9%	6.7%	4.0%	15.2%	1.5%	6.0%
FY 2001 ⁽¹⁾	7.2%	13.1%	0.0%	12.7%	15.6%	-10.6%	4.4%
FY 2002 ⁽¹⁾	-6.8%	-0.8%	-2.7%	2.4%	6.4%	-2.6%	-3.1%
FY 2003 ⁽²⁾	8.3%	35.4%	7.3%	9.6%	-2.3%	2.3%	10.1%
FY 2004 ⁽³⁾	0.9%	29.1%	6.1%	1.6%	3.6%	-2.9%	5.6%
FY 2005 ⁽³⁾	1.1%	6.1%	3.6%	0.0%	0.4%	-0.5%	2.0%

⁽¹⁾ Actual, but unaudited expenditures.
⁽²⁾ Estimated, but unaudited expenditures.
⁽³⁾ Actual appropriations as made by the 2003 Session of the General Assembly under HEA 2003-1001.
See "Financial Results of Operations."

Source: State Budget Agency

Local School Aid. Funding for elementary and secondary education is the State's largest operating expense. Local school aid is payable from both the General Fund and PTR Fund and includes distributions for programs such as assessment and performance, as well as tuition support. As a matter of long-standing fiscal policy, the General Assembly funds increases in local school aid above the State base by appropriating one-half of the increases from the General Fund and one-half of such increases from the PTR Fund. The General Assembly established the State's calendar year 1972 funding level as the base for local school aid.

Prior to January 1, 2003, the State provided approximately 66% of school corporations' general fund budgets. As a result of the tax restructuring legislation enacted in 2002, the State will now provide approximately 85% of the school corporations' general fund budgets. *See "Operating Expenditures—Property Tax Relief."*

Local school aid formula funding for tuition support on a school corporation-by-school corporation basis will increase by an average of 3.5% for Fiscal Year 2004 and 1.1% for Fiscal Year 2005 when compared to Fiscal Year 2003 appropriations, with each school corporation receiving a guaranteed minimum increase of 1% in tuition support. Combined local school aid expenditures for Fiscal Year 2002 from the Combined General and PTR Fund totaled \$3,889.5 million, a decrease of 6.8% from Fiscal Year 2001, and constituted 40.1% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. The decrease resulted from a delay in making local school aid payments in Fiscal Year 2002. Combined local school aid appropriations for Fiscal Year 2003 from the Combined General and PTR Fund total \$4,241.3 million, an increase of 1.4% from Fiscal Year 2002. Estimated expenditures for Fiscal Year 2003 are \$4,214.1 million. Local school aid appropriations for Fiscal Year 2004 from the Combined General and PTR Fund total \$4,253.6 million, an increase of 0.3% from Fiscal Year 2003 appropriations. Local school aid appropriations for Fiscal Year 2005 from the Combined General and PTR Fund total \$4,302.5 million, an increase of 1.1% from Fiscal Year 2004. *See "Financial Results of Operations."*

Property Tax Relief. Spending for property tax relief primarily consists of the Property Tax Relief Credit ("PTR Credits"), which has traditionally reduced local property taxes by 14% to 15%, and the Homestead Credit, which reduces residential property taxes by 10%. Property tax relief is payable from the PTR Fund. Such

expenditures for Fiscal Year 2002 totaled \$1,209.9 million, a decrease of 0.8% from Fiscal Year 2001, and constituted 12.5% of Combined General and PTR Fund expenditures for Fiscal Year 2002 for this category. Actual expenditures for property tax relief in Fiscal Year 2002 constituted 102.6% of appropriations. This increase in expenditures is a result of changes to the Property Tax Relief Credit, increasing the Homestead Credit to 20%, and increasing local school aid. Property tax relief appropriations for Fiscal Year 2003 totaled \$1,731.4 million, an increase of 46.8% from Fiscal Year 2002. Estimated expenditures for Fiscal Year 2003 are \$1,638.5 million, making property tax relief the second largest operating expenditure. Property tax relief appropriations for Fiscal Year 2004 total \$2,115.2 million, an increase of 22.2% from Fiscal Year 2003. Property tax relief appropriations for Fiscal Year 2005 total \$2,243.9 million, an increase of 6.1% from Fiscal Year 2004.

Legislation passed in 2002 replaces the PTR Credits with a 60% credit for school corporations' general fund tax levy on local property taxes through a State-paid Property Tax Replacement Credit as of January 1, 2003. This measure effectively increases the percentage of local school corporations' general fund budgets paid by the State from approximately 66% to approximately 85%. Additionally, the legislation increased the Homestead Credit from 10% to 20%, beginning in 2003. See "Operating Expenditures—Local School Aid."

Higher Education. Through the General Fund, the State supports seven higher education institutions, Ball State University, Indiana University, Indiana State University, Ivy Tech State College, Purdue University, University of Southern Indiana and Vincennes University. Expenditures for higher education for Fiscal Year 2002 totaled \$1,294.7 million, a decrease of 2.7% from Fiscal Year 2001, and constituted 13.3% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. The decrease resulted from a delay in making higher education aid payments in Fiscal Year 2002. Higher education appropriations for Fiscal Year 2003 total \$1,411.1 million, an increase of 0.01% when compared to Fiscal Year 2002; however, estimated expenditures for Fiscal Year 2003 are \$1,389.4 million, making higher education the third largest operating expenditure. Higher education appropriations for Fiscal Year 2004 total \$1,474.4 million, an increase of 4.5% from Fiscal Year 2003. Higher education appropriations for Fiscal Year 2005 total \$1,527.7 million, an increase of 3.6% from Fiscal Year 2004. Appropriations for higher education include money used to pay debt service and other amounts on qualified state university and college debt. See "Financial Results of Operations" and "STATE INDEBTEDNESS."

Medicaid. The fourth largest operating expenditure, payable largely from the General Fund, is the State's share of Medicaid assistance. State General Fund expenditures for Medicaid for Fiscal Year 2002 totaled \$1,138.0 million, an increase of 2.4% from Fiscal Year 2001, and constituted 11.7% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. Actual expenditures for Medicaid in Fiscal Year 2002 constituted 97.2% of appropriations for the category. Medicaid appropriations for Fiscal Year 2003 from the General Fund total \$1,248.8 million, an increase of 6.6% from Fiscal Year 2002. Estimated expenditures for Medicaid in Fiscal Year 2003 are \$1,247.0 million. Medicaid appropriations for each of Fiscal Year 2004 and Fiscal Year 2005 from the General Fund are \$1,266.4 million, an increase of 1.4% from Fiscal Year 2003.

In Fiscal Year 2003, 31.6% of Medicaid spending was funded from the General Fund. State dedicated funds and Federal funds constitute the balance of Medicaid spending. Nursing home care is the largest component of total Medicaid spending (State and Federal), about \$779.2 million for Fiscal Year 2003, a decrease of 7.9% from Fiscal Year 2002. Prescription drug costs are the second largest component of total Medicaid spending, with costs of \$637.0 million in Fiscal Year 2003, an increase of 0.2% from Fiscal Year 2002. Hospital services is the third largest component of total Medicaid spending, about \$521.3 million for Fiscal Year 2003, a decrease of 9.8% from Fiscal Year 2002.

Medicaid enrollment is one of the most significant drivers of Medicaid costs. Medicaid enrollment steadily increased from 454,643 people in 1998 to 762,993 people in 2003, or at an average annual rate of 10.9%. Enrollment is expected to grow to 808,813 in 2004, or 6.0%.

Correction. The fifth largest operating expenditure, payable almost entirely from the General Fund, is for the Department of Correction. Appropriations for the Department of Correction include funds for incarceration, rehabilitation and parole programs. State General Fund expenditures for Correction for Fiscal Year 2002 totaled \$582.1 million, an increase of 6.4% from Fiscal Year 2001, and constituted 6.0% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. Actual expenditures for Correction in Fiscal Year 2002 constituted 102.9% of appropriations for this category. This increase is a result of transferring the medical services fund from the State

Family and Social Services Agency to the Department of Correction. Correction appropriations for Fiscal Year 2003 total \$569.0 million, an increase of 0.5% from Fiscal Year 2002. Estimated expenditures for Correction for Fiscal Year 2003 are \$569.0 million. Correction appropriations for Fiscal Year 2004 total \$589.3 million, an increase of 3.6% from Fiscal Year 2003. Correction appropriations for Fiscal Year 2005 total \$591.4 million, an increase of 0.4% from Fiscal Year 2004.

Population is one of the most significant drivers of Correction expenditures. Correctional population steadily increased from 19,720 in 1998 to 24,230 in 2003, or at an average annual rate of 4.2%.

Other. The balance of State expenditures is composed of spending for a combination of other purposes, the principal ones being the costs of institutional care and community programs for persons with mental illnesses and developmental disabilities, the State's administrative operations, the State share of public assistance payments, the General Fund share of State Police costs, economic development programs and General Fund expenditures for capital improvements. General Fund expenditures for all other expenditure categories for Fiscal Year 2002 totaled \$1,592.9 million, a decrease of 2.6% from Fiscal Year 2001, and constituted 16.4% of the Combined General and PTR Fund expenditures for Fiscal Year 2002. Actual expenditures for Other Categories in Fiscal Year 2002 constituted 93.7% of appropriations for the category. Other Categories appropriations for Fiscal Year 2003 from the General Fund total \$1,872.5 million, an increase of 10.2% from Fiscal Year 2002. Other Categories appropriations for Fiscal Year 2004 from the General Fund total \$1,581.9 million, a decrease of 15.5% from Fiscal Year 2003. Estimated expenditures for Fiscal Year 2003 are \$1,629.5 million. Other Categories appropriations for Fiscal Year 2005 from the General Fund total \$1,573.9 million, a decrease of 0.5% from Fiscal Year 2004.

Expenditure Limits. In 2002, the General Assembly enacted a law to establish that the maximum annual percentage change in State government expenditures be based on the percentage change in Indiana non-farm personal income during the past six calendar years. The law excludes expenditures from revenue derived from gifts, federal funds, dedicated funds, intergovernmental transfers, damage awards and property sales. Expenditures from the transfer of funds between the General Fund, the PTR Fund and the Rainy Day Fund, reserve fund deposits, refunds of intergovernmental transfers, state capital projects, judgments and settlements, distributions of specified State tax revenues to local governments, and Motor Vehicle Excise Tax replacement payments are also exempt from the expenditure limit. The expenditure limit is applied to appropriations from the General Fund, the PTR Fund and the Rainy Day Fund.

The law directs the Budget Agency to compute a new State spending growth quotient before December 31 in each even-numbered year. The State spending growth quotient is equal to the lesser of the six-year average increase in Indiana non-farm personal income and six percent. The legislation allows the state spending cap to be increased or decreased to account for new or reduced taxes, fees, exemptions, deductions or credits adopted after June 30, 2002. The spending cap limits expenditure increases to 3.5% per annum for each of Fiscal Year 2004 and Fiscal Year 2005.

Fund Balances

The State has four primary funds that build or hold unappropriated reserves: the Rainy Day Fund, the Tuition Reserve, the Combined General and PTR Fund and the Medicaid Reserve and Contingency Account. Each of these funds is described below.

Rainy Day Fund. In 1982, the General Assembly established the Counter-Cyclical Revenue and Economic Stabilization Fund, commonly called the "Rainy Day Fund." One of three primary funds into which general purpose tax revenues are deposited, the Rainy Day Fund is essentially a State savings account that permits the State to build up a fund balance during periods of economic expansion for use during periods of economic recession.

Each year the State Budget Director determines calendar year Adjusted Personal Income ("API") for the State and its growth rate over the previous year. In general, moneys are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2.0% and moneys are withdrawn automatically from the Rainy Day Fund if API declines by more than 2.0%. No automatic withdrawal from the Rainy Day Fund has occurred; however, the General Assembly has authorized money to be transferred from the Rainy Day Fund to the General Fund from time

to time during periods of economic recession. In addition, the General Assembly has authorized money in the Rainy Day Fund to be used to make loans to local governments from time to time. *See* “Financial Results of Operations.”

During a Fiscal Year when a transfer is made to the Rainy Day Fund, if General Fund revenues are less than estimated (and the shortfall cannot be attributed to a statutory change in the tax rate, tax base, fee schedules or revenue sources from which the revenue estimates were made), an amount reverts to the General Fund from the Rainy Day Fund equal to the lesser of (a) the amount initially transferred to the Rainy Day Fund during the Fiscal Year and (b) the amount necessary to maintain a positive balance in the General Fund for the Fiscal Year.

All earnings from the investment of the Rainy Day Fund balance remain in the Rainy Day Fund. Money in the Rainy Day Fund at the end of a Fiscal Year does not revert to the General Fund. If the balance in the Rainy Day Fund at the end of a Fiscal Year exceeds 7.0% of total General Fund revenues for the Fiscal Year, the excess is transferred from the Rainy Day Fund to the PTR Fund. *See* Table IV-3 for Rainy Day Fund balances.

Tuition Reserve. The Tuition Reserve is a cash flow device that is intended to assure that the State has sufficient cash to make local school aid payments on time. Prior to each June 1, the Budget Agency estimates and establishes the Tuition Reserve for the ensuing Fiscal Year. *See* Table IV-3 for Tuition Reserve Fund balances.

Medicaid Reserve. In 1995, the General Assembly established the Medicaid Reserve and Contingency Account to provide a reserve to fund timely payments of Medicaid claims, obligations and liabilities. The Medicaid Reserve was designed to represent the estimated amount of obligations that were incurred, but remained unpaid, at the end of a Fiscal Year. The Medicaid Reserve is currently unfunded; in 2001, the General Assembly authorized the money in the Medicaid Reserve to be used to fund Medicaid obligations during Fiscal Years 2002 and 2003. *See* Table IV-3 for Medicaid Reserve Fund balances.

Combined General and PTR Fund. The PTR Fund was created by statute in Fiscal Year 1973. It is funded from revenues from the State sales and use tax, a portion of individual income tax receipts and wagering taxes. The PTR Fund is used to (1) replace local property tax levies (“PTR Credits”), which were reduced through PTR Credits under the same statute that created the PTR Fund; and (2) fund local school aid. To the extent the PTR Fund does not have sufficient revenue to make authorized payments, General Fund transfers must be made to the PTR Fund.

The General Fund and the PTR Fund are the primary funds into which general purpose tax revenue, or Operating Revenue, is deposited or transferred. It is helpful to combine the receipts and disbursements of the PTR Fund with those of the General Fund to provide a more complete and accurate description of the State’s Operating Revenue and discretionary spending, especially for local school aid and property tax relief. As a result, the General Fund and the PTR Fund are sometimes discussed in this Statement as a single, combined fund.

Financial Results of Operations

Fiscal Years 2002 and 2003. The General Assembly passed a State budget for Fiscal Years 2002 and 2003 that called for Combined General and PTR Fund spending of \$10,211.9 million in Fiscal Year 2002 (an increase of 1.6% from FY 2001), and \$10,497.8 million in Fiscal Year 2003 (an increase of 2.8% from FY 2002). However, as the national economic recession took hold, forecasted Operating Revenue was hard hit. The recession effectively erased approximately \$1,640.0 million of forecasted Operating Revenue during Fiscal Years 2002 and 2003. (Forecasted Operating Revenue does not include dedicated funds and accounts available to be appropriated, and in some cases actually appropriated or authorized to be used for budget purposes.)

Fiscal Year 2002. To address the revenue shortfall and fund the budget in Fiscal Year 2002, the State administration used general statutory authority and measures specifically authorized in the biennial budget, including transfers from the following funds and accounts to the General Fund:

Lottery and Gaming Surplus Account	\$200.0 million
Rainy Day Fund	277.1 million
Medicaid Reserve and Contingency Fund	100.0 million

In addition, the Finance Board authorized transfers from a number of dedicated funds and accounts to the General Fund and the PTR Fund:

Build Indiana Fund	\$247.5 million
Veterans Memorial School Construction Fund	37.0 million
State Highway Fund	30.0 million
Other Dedicated Funds, Accounts	127.0 million

(All but \$45.2 million of the \$441.5 million of Finance Board-authorized transfers were used in Fiscal Year 2002.)

The State also delayed making \$373.8 million of local school aid and higher education payments in Fiscal Year 2002.

In addition to the transfers and payment delays, the State administration required agencies to cut their operating budgets by 7% and implemented hiring and salary freezes, resulting in \$145.1 million of reduced spending in Fiscal Year 2002 (excluding reductions in forecasted Medicaid spending).

At the end of Fiscal Year 2002, the State's Total Combined Balance (General Fund, Rainy Day Fund, Tuition Reserve and Medicaid Reserve and Contingency Fund balances) was \$534.2 million or 6.1% of Operating Revenue (that is, tax revenues, certain fees and DSH revenue deposited in the General Fund or the PTR Fund). *See* Table IV-3 for actual Fiscal Year 2002 results, including actual Operating Revenue, transfers and fund balances.

Fiscal Year 2003. Near the end of Fiscal Year 2002, the General Assembly met in Special Session and passed HEA 1001-2002 (ss), which included a then estimated \$559.7 million in budget relief as well as substantial tax restructuring. Higher sales and use taxes and increased taxes on gaming and tobacco products were designed to address the revenue shortfall, fund the budget and offset much of the cost of the tax restructuring. Streamlined corporate income taxes and the phase out of personal property taxation of business inventories were designed to encourage business investment. Additional property tax relief for homeowners was expected to reduce potentially negative effects of the state-wide property tax reassessment, which is complete in some, but not all, counties. (Property tax relief expenditures are expected to increase in the future.)

Even taking into account forecasted increases in Operating Revenue resulting from the enactment of HEA 1001-2002 (ss), the Fiscal Year 2003 budget continued to be a challenge. The soft economy, threat of war, war, and worse than normal winter weather resulted in lower than forecasted sales and use tax revenues. The State administration again used general statutory authority and measures specifically authorized in the biennial budget to reduce the budget deficit, including fund and account transfers, payment delays (another \$336.7 million in Fiscal Year 2003) and spending cuts. The Budget Agency achieved Fiscal Year 2003 reversions totaling \$323.4 million through reduced spending by State agencies (including holding Medicaid spending to below forecast), and elimination of unspent capital and operating accounts. By the end of Fiscal Year 2003, the State administration reduced Medicaid spending from forecast by \$250.0 million.

At the end of Fiscal Year 2003, the State's Total Combined Balance (General Fund, Rainy Day Fund, Tuition Reserve and Medicaid Reserve and Contingency Fund balances) was \$720.1 million or 7.2% of Operating Revenue (that is, tax revenues, certain fees and DSH revenue deposited in the General Fund or the PTR Fund).

The reserves were higher than estimated at the end of the 2003 session of the General Assembly because the State received \$103.4 million in new federal aid, and property reassessment delays in some Indiana counties meant that property tax relief payments were lower by \$101.1 million.

During Fiscal Year 2003, Indiana received 13.4% more Operating Revenue than it received in Fiscal Year 2002. When revenue generated by tax increases enacted by the General Assembly in June 2002 is subtracted, revenue grew by 1.5%. Growth in Operating Revenue in Fiscal Year 2003 ended a two Fiscal Year period in which actual Operating Revenue decreased.

See Table IV-3 for actual Fiscal Year 2003 results, including State Operating Revenue, transfers and fund balances.

Fiscal Years 2004 and 2005. The General Assembly passed a State budget for Fiscal Years 2004 and 2005 that calls for Combined General and PTR Fund spending of \$11,280.7 million in Fiscal Year 2004 (an increase of 1.9% from Fiscal Year 2003) and \$11,505.8 million in Fiscal Year 2005 (an increase of 2.0% from Fiscal Year 2004).

Budget Challenges. The biennial budget was based on forecasted Fiscal Year 2004 revenue of \$10,692.5 million (an increase of 8.2% from final forecasted Fiscal Year 2003 revenue) and forecasted Fiscal Year 2005 revenue of \$11,192.3 million (an increase of 4.7% from forecasted Fiscal Year 2004 revenue). That forecast of revenue is referred to below as the “Budget Forecast.” The forecasted revenue increase for Fiscal Year 2004 reflected the implementation of the Fiscal Year 2002 tax increases and expected improvements in the national economy, while the revenue increase for Fiscal Year 2005 primarily reflected expected improvements in the national economy. (If the implementation of the Fiscal Year 2002 tax increases were not taken into account, the increase in forecasted revenue for Fiscal Year 2004 would be 3.1% higher than final forecasted Fiscal Year 2003 revenue.)

The General Assembly continues to authorize more spending than forecasted Operating Revenues would permit. To balance the budget, the General Assembly authorized the transfer of dedicated funds to the General Fund or the PTR Fund, including:

Rainy Day Fund	\$220.0 million
Pension Stabilization Fund	380.0 million
Public Deposit Insurance Fund	50.0 million
Other Dedicated Funds	57.0 million

In addition, the General Assembly specifically authorized the Budget Agency, with the approval of the Governor and after Budget Committee review, (a) “to withhold allotments of any or all appropriations . . . , if it is considered necessary . . . to prevent a deficit financial situation” and (b) transfer from the Rainy Day Fund to the General Fund “an amount necessary to maintain a positive balance” in the General Fund. (Rainy Day Fund balances may not be sufficient to provide further budget relief.)

Funding the State share of Medicaid assistance and Department of Correction needs are two of the challenges the State administration confronts in managing the budget for Fiscal Years 2004 and 2005. The General Assembly effectively maintained Medicaid appropriations for Fiscal Years 2004 and 2005 at Fiscal Year 2003 levels and limited growth in Correction appropriations for the budget biennium. However, \$168.0 million of new federal aid will benefit the Medicaid program in Fiscal Year 2004. In addition, another \$103.4 million of federal aid is available in Fiscal Year 2004 for limited budget relief.

Based on the Budget Forecast and expected additional federal aid, the Budget Agency estimated that the State’s Total Combined Balance would be \$577.9 million or 5.3% of Operating Revenue at the end of Fiscal Year 2004 and \$516.0 million or 4.6% of Operating Revenue at the end of Fiscal Year 2005.

January Forecast. On January 12, 2004, the State’s Technical Forecast Committee revised the Budget Forecast (as revised, the “January Forecast”). The January Forecast indicates that the State will receive \$230.8 million less Operating Revenue in Fiscal Year 2004, and \$222.6 million less Operating Revenue in Fiscal Year 2005 than previously forecast. Most of the reduction in forecasted Operating Revenue was attributable to lower than expected sales and use tax receipts, according to the State Budget Agency. The Economic Forecast Committee’s January 12 report indicated that, while Indiana’s economy is recovering from the national economic recession, the recovery has not come as quickly or as strongly as anticipated when the Budget Forecast was made.

As a result of the January forecast and additional property tax relief costs, the Budget Agency estimates that the State’s Total Combined Balance will be \$295.5 million or 2.8% of Operating Revenue at the end of Fiscal Year 2004 and \$65.7 million or 0.6% of Operating Revenue at the end of Fiscal Year 2005. See Table IV-3 for estimated Fiscal Year 2004 and Fiscal Year 2005 results, including estimated State Operating Revenues, transfers

and fund balances. Note that some of the Rainy Day Fund balance is comprised of loans to local governments, which are illiquid. The additional property tax relief costs are estimated to be an additional \$117.4 million: \$66.6 million in Fiscal Year 2004 and \$50.8 million in Fiscal Year 2005.

Budget Management. After adoption of the biennial budget, the Budget Agency advised State agencies receiving General Fund appropriations that it would reduce through the allotment process (i) 5.0% of each agency's appropriation for Fiscal Years 2004 and 2005, and (ii) 50.0% of repair and rehabilitation appropriations for such Fiscal Years. This Budget Agency advice is not applicable to Medicaid program or Correction expenditures. In addition, the Budget Agency is withholding a substantial amount of the repair and rehabilitation appropriations to the State's universities and colleges.

Following receipt of the January Forecast, Governor Kernan said that he would manage the budget and make whatever decisions are necessary to end Fiscal Year 2004 and Fiscal Year 2005 with a positive balance in the General Fund.

Fiscal Year 2003 Revenue v. Fiscal Year 2004 Revenue Growth

The State collected \$435.0 million (or 9.6%) more revenue in the second quarter of Fiscal Year 2004 ("Second Quarter 2004") than it collected in the second quarter of Fiscal Year 2003 ("Second Quarter 2003"). See "Major General Fund and PTR Fund Revenue Sources."

The State saw substantial growth in sales and use tax, individual income tax and gaming tax revenue during Second Quarter 2004 ("Second Quarter 2004"), when compared with Second Quarter 2003:

Sales and Use	\$220.0 million (an increase of 20.8%)
Individual Income	61.3 million (3.6%)
Gaming	93.1 million (68.7%)

Increases in sales and use tax and gaming tax revenue primarily reflect the increased sales and use tax rate (effective December 1, 2002) and restructuring of wagering taxes (effective July 1, 2002).

Second Quarter 2004 corporate income tax and other revenue declined by \$33.1 million (or 12.1%) and \$87.0 million (or 17.0%), respectively. Corporate income taxation was also restructured in Fiscal Year 2002, effective January 1, 2003. In the other revenue category, miscellaneous revenue was hardest hit.

Combined Balance Statements

Table IV-3 sets forth the Budget Agency's unaudited end-of-year combined balance statements and estimates and projections, including revenues and other resources, expenditures and balances at the end of each Fiscal Year. For past Fiscal Years, the balances reflect actual revenue and other resources and expenses before adjustments to the modified accrual basis of accounting. As a result, the Budget Agency's "working" statements may differ from the results included in the 2002 Financial Report or the Auditor of State's comprehensive annual financial reports for other Fiscal Years, as applicable. Forecasted revenue was developed by the Technical Forecast Committee, and actual revenue may be higher or lower than forecasted. Estimates of other resources and uses were developed by the Budget Agency taking into account historical resources and appropriations as well as other variables, including the budget for Fiscal Years 2004 and 2005.

Table IV-3
General Fund and Property Tax Replacement Fund
Combined Statement of Net Actual and Estimated Unappropriated Reserve
(Millions of Dollars)

	Actual FY2001	Actual FY2002	Actual FY2003	(1) Estimated FY2004	(1) Estimated FY2005
Resources					
Working Balance on July 1	832.6	18.6	0.0	136.6	2.0
Current Year Resources					
Forecast Revenue	9,052.0	8,708.9	9,880.1	10,561.5	11,001.8
DSH Revenue	70.9	87.0	65.0	56.8	66.4
Enrolled Acts 2003	-	-	-	5.8	2.0
Other Revenue Sources of Transfers In					
Jobs & Growth Tax Relief Reconciliation Act of 2003	-	-	103.4	103.4	-
Jobs & Growth Tax Relief Reconciliation Act of 2003 (Medicaid)	-	-	-	146.3	-
Transfer from Lottery & Gaming Surplus Acct (BIF)	-	200.0	175.0	-	-
Transfer from Medicaid Reserve to General Fund	103.4	100.0	-	-	-
Transfer from Dedicated Fund Balances	-	396.3	222.0	134.0	56.9
Transfer from Tuition Reserve	-	-	-	40.0	225.4
Transfer From (To) Rainy Day Fund	46.3	277.1	-	254.2	2.9
Total Current Year Resources	9,272.6	9,769.3	10,445.5	11,302.0	11,335.4
Total Resources	10,105.2	9,787.9	10,445.5	11,438.6	11,357.4
Uses: Appropriations, Expenditures and Reversions					
Appropriations					
Budgeted Appropriations	10,159.3	10,211.9	11,000.1	11,280.7	11,505.8
Adjustments to Appropriations ⁽²⁾	(15.7)	93.1	22.7	-	-
Deficiency Appropriations	66.8	0.1	19.4	-	-
Appropriations Transfer (FY 2000 capital appropriations)	(88.3)	-	-	-	-
Medicaid Shortfall	58.5	-	-	45.6	100.7
Higher Education, HEA 1196 – 2002	-	-	(29.0)	-	-
K-12 Education, HEA 1196 – 2002	-	-	(119.1)	-	-
Total Appropriations	10,180.6	10,305.1	10,894.0	11,326.3	11,606.5
Other Expenditures and Transfers					
Transfer to Lottery and Gaming Surplus Acct (BIF) (MVET)	-	-	131.8	-	-
Transfer to Tuition Reserve	-	-	40.0	-	-
Undistributed PTRC and Homestead Credit	-	-	(101.1)	101.1	-
Additional PTRC and Homestead Credit Costs	-	-	-	66.6	50.8
Judgments and Settlements ⁽³⁾	7.0	3.8	6.2	8.0	8.0
Total Appropriations and Expenditures	10,187.6	10,308.9	10,970.9	11,502.0	11,665.3
Payment Delays					
Higher Education Allotment	-	(94.2)	(2.2)	(2.2)	(2.9)
Tuition Support Distribution	-	(279.5)	(20.0)	(3.2)	(3.8)
Property Tax Replacement Credit	-	-	(314.5)	-	-
Reversions	(102.9)	(145.1)	(323.4)	(60.0)	(301.3)
Total Net Uses	10,084.7	9,790.1	10,310.7	11,436.6	11,357.3
Auditor's Adjustment	1.9	(2.2)	(1.8)	-	-
General Fund Reserve Balance at June 30	18.6	0.0	136.6	2.0	0.1
Reserved Balances					
Medicaid Reserve	100.0	-	-	-	-
Tuition Reserve	265.0	265.0	305.0	265.0	39.6
Rainy Day Fund ⁽⁴⁾	526.0	269.2	278.5	28.5	26.0
Total Combined Balances	909.6	534.2	720.1	295.5	65.7
Payment Delay Liability	-	(373.8)	(710.5)	(715.0)	(721.7)
Combined Balance as a Percent of Operating Revenue	10.0%	6.1%	7.2%	2.8%	0.6%
Totals may not add as a result of rounding.					

- ¹ Forecasted revenue is based on information provided by the Technical Forecast Committee, while other resources and uses are estimated by the Budget Agency.
- ² Adjustments to appropriations by augmentation, transfer and open-ended appropriations and other reconciling adjustments made as part of the end-of-Fiscal Year closing process are shown in total. FY 2003 includes an additional appropriation of \$135.0 million for motor vehicle excise tax-related obligations not met through the Lottery and Gaming Surplus Account.
- ³ Represents the estimated cost to the State of judgments and other legal and equitable claims. No reserve fund is established for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from appropriations or balances. *See* "LITIGATION."
- ⁴ Includes \$28.5 million of loans to local governments authorized by the General Assembly. The loans are illiquid.

Source: State Budget Agency

V. STATE INDEBTEDNESS

Constitutional Limitations on State Debt

Under Article X, Section 5 of the State constitution, the State may not incur indebtedness except to meet casual deficits in revenues; to pay interest on State debt; or to repel invasion, suppress insurrection or, if hostilities are threatened, to provide for the public defense. The State has no indebtedness outstanding under the State constitution. *See* "FISCAL POLICIES—State Board of Finance."

Other Debt, Obligations

Substantial indebtedness anticipated to be paid from State appropriations is outstanding, however, together with State university and college debt and what are described below as "contingent obligations." In addition, the commissions and authorities described below may issue additional debt or incur other obligations from time to time to finance additional facilities or projects or to refinance such facilities or projects. The type, amount and timing of such additional debt or other obligations are subject to a number of conditions that cannot be predicted at present. *See* "STATE INDEBTEDNESS—Authorized but Unissued Debt."

Obligations Payable from Possible State Appropriations

The General Assembly has created certain financing entities, including the State Office Building Commission, the Indiana Transportation Finance Authority and the Recreational Development Commission, which are each public bodies corporate and politic and separate from the State. These financing entities have been granted the authority to issue revenue bonds and other obligations to finance the construction, reconstruction and equipping of various capital projects. Certain agencies, including the Department of Administration, the Department of Transportation, the Department of Natural Resources and the Indianapolis Airport Authority (under an agreement with the Department of Commerce) have entered into use and occupancy agreements or lease agreements with the financing entities. Lease rentals due under the agreements are payable primarily from possible appropriations of State funds by the General Assembly. However, there is and can be under State law no requirement for the General Assembly to make any such appropriations for any facility in any Fiscal Year. No trustee or holder of any revenue bond issued by any such financing entity may legally compel the General Assembly to make any such appropriations. Revenue bonds issued by any of the financing entities do not constitute a debt, liability or pledge of the faith and credit of the State within the meaning of any constitutional provision or limitation. Such use and occupancy agreements, lease agreements and other obligations do not constitute indebtedness of the State within the meaning or application of any constitutional provision or limitation. Following is a description of the entities that have issued bonds and the projects that have been financed with the proceeds and which are subject to use and occupancy agreements or lease agreements.

State Office Building Commission. The State Office Building Commission (the "Building Commission") is authorized pursuant to Indiana Code 4-13.5 to issue revenue bonds to finance or refinance the cost of acquiring, constructing and equipping of buildings, structures, improvements or parking areas owned or leased by the Building Commission or the State for the purpose of (a) housing the personnel or activities of State agencies or branches of State government; (b) providing transportation or parking for State employees or persons having business with State government; (c) providing a building, structure or improvement for the custody, care, confinement or treatment of committed persons under the supervision of the State Department of Correction; (d) providing a building, structure

or improvement for the care, maintenance or treatment of persons with mental or addictive disorders; (e) providing regional health facilities; (f) providing communications system infrastructure; and (g) providing laboratory facilities.

Pursuant to this general authority, as well as specific findings of need and authorizations by the General Assembly, the Building Commission has issued revenue bonds to finance or refinance various projects. For a list of the indebtedness of the Building Commission, *see* “Table V-1—Schedule of Long Term Debt Obligations Payable from Possible State Appropriations.”

The Building Commission also provides short-term, or construction, financing for authorized projects through issuance and sale of “Hoosier Notes.” Hoosier Notes are payable from proceeds of revenue bonds issued by the Building Commission.

Transportation Finance Authority—Highway Financing. The Indiana Transportation Finance Authority (the “TFA”) was established in 1988 under Indiana Code 8-9.5-8, as the successor to the Indiana Toll Finance Authority. The TFA is a body corporate and politic separate from the State. When the General Assembly established the TFA, it enacted Indiana Code 8-14.5, which authorizes the TFA to (a) undertake projects to construct, acquire, reconstruct, improve and extend the State’s highways, bridges, streets and roads; (b) lease such projects to the Indiana Department of Transportation; and (c) issue revenue bonds to finance or refinance such projects.

Pursuant to this authority, the TFA has issued revenue bonds to finance the construction, acquisition, reconstruction, improvement and extension of the State’s highways, bridges, streets and roads throughout Indiana. For a list of the indebtedness of the TFA for Highway Financing, *see* “Table V-1—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations.”

Transportation Finance Authority—Aviation Financing. In 1991, the General Assembly enacted Indiana Code 8-21-12, which authorizes the TFA to finance improvements related to an airport or aviation related property or facilities, including the acquisition of real estate, by borrowing money and issuing revenue bonds from time to time. The authorizing legislation defines “aviation related property or facilities” as those properties or facilities that are utilized by a lessee, or a lessee’s assigns, who provides services or accommodations (a) for scheduled or unscheduled air carriers and air taxis and their passengers, air cargo operations and related ground transportation facilities, (b) for fixed based operations, (c) for general aviation or military users and (d) for aviation maintenance and repair facilities.

Airport Facilities. Pursuant to this authority, the TFA has issued revenue bonds to finance a portion of the costs of constructing and equipping improvements related to an airport and aviation related property and facilities at the Indianapolis International Airport (the “Airport Facilities”). For a list of the indebtedness of the TFA for Airport Facilities, *see* “Table V-1—Schedule of Long Term Debt Obligations Payable from Possible State Appropriations.”

Aviation Technology Center. In addition, the TFA issued revenue bonds to finance the costs of constructing and equipping an aviation technology center (the “Aviation Technology Center”) at Indianapolis International Airport. For a list of the indebtedness of the TFA for the Aviation Technology Center, *see* “Table V-1—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations.”

For a description of other powers and responsibilities of the TFA, including its authority to issue other debt, *see* “STATE INDEBTEDNESS—Contingent Obligations—Transportation Finance Authority—Toll Road Financing” and Table V-5.

Recreational Development Commission. The Recreational Development Commission (the “Recreation Commission”) was created in 1973 by Indiana Code 14-14-1 and is responsible for the acquisition, construction, improvement, operation and maintenance of public recreational facilities and for facilitating, supporting and promoting the development and use of parks of the State. Pursuant to Indiana Code 14-14-1-21, the Recreation Commission and the State’s Department of Natural Resources (the “DNR”) may enter into agreements setting forth the terms and conditions for the use of park improvements by the DNR and the sums to be paid by the DNR for such use.

Pursuant to this authority, the Recreation Commission has issued its revenue bonds to finance and refinance the costs of acquisition, construction, renovation, improvement and equipping of various facilities for public parks in the State (the “Park Projects”). For a list of the indebtedness of the Recreation Commission, *see* “Table V-1—Schedule of Long Term Debt Obligations Payable from Possible State Appropriations.”

Bond Bank. The Indiana Bond Bank issued two series of bonds which are also payable from possible State appropriations. Proceeds of these issues were used to finance or refinance State interests or initiatives, including the State’s Animal Disease and Diagnostic Laboratory (“ADDL”) at Purdue University, West Lafayette, and the Columbus Learning Center (“CLC”), an educational facility to be used by a number of State post-secondary educational institutions to provide services in South Central Indiana. *See* “Table V-1—Schedule of Long Term Debt—Obligations Payable from Possible State Appropriations.”

For a description of other powers and responsibilities of the Bond Bank, including its authority to issue other debt, *see* “Contingent Obligations—Indiana Bond Bank” and Table V-5.

Debt Statement—Obligations Payable from Possible State Appropriations

Table V-1 lists, by issuing agency, long-term debt that is subject to possible State appropriations as of June 30, 2003. *See* “Debt Issued in Fiscal Year 2004” and “Authorized but Unissued Debt.”

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Table V-1
Schedule of Long Term Debt
Obligations Payable from Possible State Appropriations

Issuer/Series	Original Par Amount	Ending Balance 6/30/02	(Redeemed)/ Issued	Ending Balance 6/30/03
Building Commission				
Government Center Parking Facilities				
Series 1990A	\$ 26,669,824	\$ 9,804,613	\$ (621,304)	\$ 9,183,309
Series 1993A	42,410,000	31,285,000	(2,145,000)	29,140,000
Subtotal	\$ 69,079,824	\$ 41,089,613	\$ (2,766,304)	\$ 38,323,309
Government Center North				
Series 1990B	\$ 77,123,542	\$ 30,411,503	\$ (1,926,882)	\$ 28,484,621
Series 1993B	107,555,000	85,085,000	(4,335,000)	80,750,000
Subtotal	\$ 184,678,542	\$ 115,496,503	\$ (6,261,882)	\$ 109,234,621
Government Center South				
Series 1990C	\$ 18,063,800	\$ 6,636,090	\$ (419,800)	\$ 6,216,290
Series 1990D	110,675,000	53,710,000	-	53,710,000
Series 1993C	28,440,000	8,675,000	(440,000)	8,235,000
Series 2000B	43,400,000	42,700,000	(6,600,000)	36,100,000
Subtotal	\$ 200,578,800	\$ 111,721,090	\$ (7,459,800)	\$ 104,261,290
Other Facilities				
Series 1995A	\$ 54,025,000	\$ 52,335,000	\$ (470,000)	\$ 51,865,000
Series 1995B	47,975,000	44,145,000	(1,390,000)	42,755,000
Series 1998A	93,020,000	90,570,000	(4,265,000)	86,305,000
Series 1999A	96,785,000	90,910,000	(3,255,000)	87,655,000
Series 2000A	44,800,000	43,200,000	(1,600,000)	41,600,000
Series 2001A	66,600,000	66,600,000	-	66,600,000
Series 2002A	128,110,000	128,110,000	-	128,110,000
Series 2003A	83,530,000	-	83,530,000	83,530,000
Subtotal	\$ 614,845,000	\$ 515,870,000	\$ 72,550,000	\$ 588,420,000
TOTAL SOBC	\$ 1,069,182,166	\$ 784,177,206	\$ 56,062,014	\$ 840,239,220
Transportation Finance Authority				
Highway Revenue Bonds				
Series 1990A	\$ 72,498,391	\$ 34,343,617	\$ (1,642,740)	\$ 32,700,877
Series 1992A	74,035,000	35,285,000	-	35,285,000
Series 1993A	193,531,298	139,181,298	(7,290,000)	131,891,298
Series 1996B	27,110,000	25,950,000	(2,715,000)	23,235,000
Series 1998A	175,360,000	172,250,000	(3,240,000)	169,010,000
Series 2000A	269,535,000	269,535,000	(2,500,000)	267,035,000
Subtotal	\$ 812,069,689	\$ 676,544,915	\$ (17,387,740)	\$ 659,157,175
Airport Facilities Bonds				
Series 1992A	\$ 201,320,000	\$ 46,400,000	\$ (6,325,000)	\$ 40,075,000
Series 1995A	29,720,000	26,705,000	(970,000)	25,735,000
Series 1996A	137,790,000	137,045,000	(795,000)	136,250,000
Subtotal	\$ 368,830,000	\$ 210,150,000	\$ (8,090,000)	\$ 202,060,000
Aviation Technology Bonds				
Series 2002A	\$ 10,095,000	\$ 10,095,000	\$ -	\$ 10,095,000
Subtotal	\$ 10,095,000	\$ 10,095,000	\$ -	\$ 10,095,000
TOTAL TFA	\$ 1,190,994,689	\$ 896,789,915	\$ (25,477,740)	\$ 871,312,175
Recreation Commission				
Series 1994	\$ 19,285,000	\$ 18,300,000	\$ (10,525,000)	\$ 7,775,000
Series 1997	6,600,000	5,780,000	(225,000)	5,555,000
Series 2002	14,400,000	-	14,400,000	14,400,000
Subtotal	\$ 40,285,000	\$ 24,080,000	\$ 3,650,000	\$ 27,730,000
TOTAL RDC	\$ 40,285,000	\$ 24,080,000	\$ 3,650,000	\$ 27,730,000
Bond Bank				
Series 1998B (ADDL)	\$ 10,830,000	\$ 7,980,000	\$ (695,000)	\$ 7,285,000
Series 2003D (CLC)	27,515,000	-	27,515,000	27,515,000
Subtotal	\$ 38,345,000	\$ 7,980,000	\$ 26,820,000	\$ 34,800,000
TOTAL BOND BANK	\$ 38,345,000	\$ 7,980,000	\$ 26,820,000	\$ 34,800,000
TOTAL ALL BONDS	\$ 2,338,806,855	\$ 1,713,027,121	\$ 61,054,274	\$ 1,774,081,395

Source: State Budget Agency (as of June 30, 2003)

Debt Service Schedule—Obligations Payable from Possible State Appropriations

Table V-2 lists principal and interest payments payable from possible State appropriations (not including debt that has been defeased) as of June 30, 2003. *See* “Debt Issued in Fiscal Year 2004” and “Authorized but Unissued Debt.”

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Table V-2
Scheduled Principal and Interest Payments
Payable from Possible State Appropriations

Issuer/Series	FY 2004	FY 2005	FY 2006	FY 2007	Thereafter
Building Commission					
Government Center Parking					
Series 1990A	\$ 1,948,050	\$ 1,948,050	\$ 1,948,050	\$ 1,948,050	\$ 12,817,575
Series 1993A	3,689,981	3,683,284	3,678,836	3,677,211	23,146,136
Subtotal	\$ 5,638,031	\$ 5,631,334	\$ 5,626,886	\$ 5,625,261	\$ 35,963,711
Government Center North					
Series 1990B	\$ 6,041,880	\$ 6,041,880	\$ 6,041,880	\$ 6,041,880	\$ 39,757,920
Series 1993B	8,597,976	8,592,396	8,581,026	8,575,276	76,765,608
Subtotal	\$ 14,639,856	\$ 14,634,276	\$ 14,622,906	\$ 14,617,156	\$ 116,523,528
Government Center South					
Series 1990C	\$ 1,317,090	\$ 1,317,090	\$ 1,317,090	\$ 1,317,090	\$ 8,677,975
Series 1990D	3,705,990	3,705,990	3,705,990	10,976,205	54,570,400
Series 1993C	878,780	875,738	876,105	874,980	7,824,708
Series 2000B ⁽¹⁾	8,686,500	8,461,500	8,319,000	976,500	18,873,000
Subtotal	\$ 14,588,360	\$ 14,360,318	\$ 14,218,185	\$ 14,144,775	\$ 89,946,083
Other Facilities					
Series 1995A	\$ 3,321,861	\$ 3,322,248	\$ 3,321,149	\$ 3,322,998	\$ 79,942,718
Series 1995B	3,853,508	3,853,695	3,849,435	3,850,360	53,381,168
Series 1998A	8,572,990	8,560,298	8,554,491	8,530,004	85,061,567
Series 1999A	7,869,119	7,857,575	7,853,675	7,844,163	101,300,106
Series 2000A ⁽¹⁾	4,102,500	4,000,500	3,993,000	3,979,500	49,312,500
Series 2001A ⁽¹⁾	5,703,120	5,675,488	5,662,877	5,637,321	89,830,375
Series 2002A	8,042,401	8,399,019	8,390,986	10,905,493	173,182,367
Series 2003A	4,055,246	5,389,921	5,388,671	6,879,259	115,804,509
Subtotal	\$ 45,520,745	\$ 47,058,743	\$ 47,014,284	\$ 50,949,096	\$ 747,815,310
TOTAL SOBC	\$ 80,386,992	\$ 81,684,671	\$ 81,482,262	\$ 85,336,288	\$ 990,248,632
TFA					
Highway Revenue Bonds					
Series 1990A	\$ 6,150,288	\$ 6,150,288	\$ 4,255,288	\$ 4,095,288	\$ 41,850,200
Series 1992A	2,399,380	2,399,380	2,399,380	2,399,380	51,510,990
Series 1993A	13,848,263	13,858,773	12,608,425	12,608,850	177,775,413
Series 1996B	3,989,708	3,981,450	3,961,450	3,958,550	11,826,375
Series 1998A	12,108,846	12,088,328	18,669,828	18,676,448	195,526,939
Series 2000A	17,097,176	16,982,801	14,425,301	14,425,301	478,131,481
Subtotal	\$ 55,593,661	\$ 55,461,020	\$ 56,319,672	\$ 56,163,816	\$ 956,621,397
Airport Facilities Bonds					
Series 1992A	\$ 9,385,525	\$ 9,704,613	\$ 10,040,600	\$ 10,026,875	\$ 25,158,438
Series 1995A	2,469,868	2,512,723	2,558,995	2,558,945	27,955,338
Series 1996A	8,219,933	8,220,583	8,218,060	17,213,900	155,974,650
Subtotal	\$ 20,075,326	\$ 20,437,919	\$ 20,817,655	\$ 20,799,720	\$ 209,088,426
Aviation Technology Bonds					
Series 2002A	\$ 685,565	\$ 955,765	\$ 955,495	\$ 952,614	\$ 10,491,916
Subtotal	\$ 685,565	\$ 955,765	\$ 955,495	\$ 952,614	\$ 10,491,916
TOTAL TFA	\$ 76,354,552	\$ 76,854,704	\$ 78,092,822	\$ 77,916,150	\$ 1,176,201,739
Recreation Commission					
Series 1994	\$ 632,960	\$ 648,008	\$ 661,595	\$ 678,483	\$ 10,211,011
Series 1997	525,333	523,869	521,616	523,555	6,218,195
Series 2002	642,696	608,870	887,400	1,333,118	17,601,638
Subtotal	\$ 1,800,989	\$ 1,780,747	\$ 2,070,611	\$ 2,535,156	\$ 34,030,844
TOTAL RDC	\$ 1,800,989	\$ 1,780,747	\$ 2,070,611	\$ 2,535,156	\$ 34,030,844
Bond Bank					
Series 1998B (ADDL)	\$ 1,043,475	\$ 1,042,434	\$ 1,044,740	\$ 1,039,845	\$ 4,695,085
Series 2003D (CLC)	805,644	1,306,450	1,306,450	1,306,450	42,800,306
Subtotal	\$ 1,849,119	\$ 2,348,884	\$ 2,351,190	\$ 2,346,295	\$ 47,495,391
TOTAL BOND BANK	\$ 1,849,119	\$ 2,348,884	\$ 2,351,190	\$ 2,346,295	\$ 47,495,391
TOTAL ALL BONDS	\$ 160,391,652	\$ 162,669,006	\$ 163,996,885	\$ 168,133,889	\$ 2,247,976,606

⁽¹⁾ Debt service on variable rate debt is determined by assuming an interest rate cap of 6%.

Source: State Budget Agency (as of June 30, 2003)

Debt Ratios

Historically, Indiana's debt burden has remained well below the national average and compares favorably with its regional peers. The ratios of outstanding debt subject to possible State appropriation to population and personal income for the past nine years are reflected in Table V-3. The ratios do not reflect any state university or college indebtedness or contingent obligations.

Table V-3
Ratios of Outstanding Debt Subject to Possible Appropriation
to Population and Personal Income

Fiscal Year	Population	Personal Income ⁽¹⁾	Outstanding Debt Subject to Appropriation	Debt/Capita ⁽²⁾	Debt/Income ⁽³⁾
1993	5,739,019	\$ 114,675	\$ 1,001,051,854	\$ 174	0.9%
1994	5,793,526	121,537	1,030,787,646	178	0.8
1995	5,851,459	126,525	1,036,962,646	177	0.8
1996	5,906,013	132,890	1,119,537,646	190	0.8
1997	5,955,267	139,459	1,116,717,640	188	0.8
1998	5,998,880	149,318	1,240,092,643	207	0.8
1999	6,044,969	154,405	1,228,372,647	203	0.8
2000	6,080,485	164,543	1,569,341,152	258	1.0
2001	6,126,743	168,622	1,624,466,887	265	1.0
2002	6,159,068	173,932	1,713,027,121	278	1.0

(1) Personal Income is expressed in millions of dollars.

(2) According to Moody's 2002 State Debt Medians, the median debt per capita for all states was about \$573

(3) According to Moody's 2002 State Debt Medians, the median percentage for all states was about 2.3%

Source: United States Bureau of Census for population, United States Department of Commerce, Bureau of Economic Analysis for personal income, and State Budget Agency for outstanding debt.

Debt Issued in Fiscal Year 2004

State Office Building Commission. In September 2003, the Building Commission issued \$107.8 million of Capitol Complex Revenue Bonds to refund all the Series 1993A, 1993B and 1993C Capitol Complex Revenue Bonds, issued to finance the Government Center North and South buildings and parking Facilities.

In November 2003, the Building Commission issued \$31.9 million of Facilities Revenue Bonds to refund Hoosier Notes related to Evansville State Hospital, a regional mental health facility, and fund the remaining costs of construction and equipping Evansville State Hospital.

In December 2003, the Building Commission issued \$75.6 million of Facilities Revenue Bonds to refund a portion of the 1995A and 1995B Correctional Facilities Program Revenue Bonds, issued to finance Wabash Valley Correctional Facility and Rockville Correctional Facility.

Transportation Finance Authority. In September 2003, the TFA issued \$433.2 million of Highway Revenue Bonds to (i) finance additional highway construction projects and (ii) refund approximately \$150.0 million of bond anticipation notes, issued in June 2003, to provide interim funding for such projects.

See Tables V-1 and V-2.

Authorized but Unissued Debt

State Office Building Commission. The General Assembly has authorized the Building Commission to issue bonds to finance State facilities, including:

- Four additional regional mental health facilities
- State-wide public safety communications network
- Laboratories for the State Police, Department of Health and Department of Toxicology

The regional mental health facilities in Logansport and Madison are under construction. The Building Commission is working with the Family and Social Services Administration on planning for the other two facilities. Construction costs of the Logansport and Madison facilities are estimated to be \$36.0 million and \$55.0 million, respectively. The new Logansport and Madison facilities are expected to be complete in the first quarter of 2005 and the fourth quarter of 2004, respectively.

The first phase of the public safety communications network (Project Hoosier SAFE-T) is under construction and is expected to be complete by March 2004. The estimated construction cost is \$30.0 million. The Building Commission is working with the Integrated Public Safety Commission on planning and design of the remaining phases.

The Building Commission is designing the laboratories and anticipates construction will begin in May 2004 with completion two years later. The estimated construction cost is \$60.0 million.

The Building Commission is providing short-term, or construction, financing for the mental health facilities and laboratories through the Building Commission's "Hoosier Notes" commercial paper program. The Building Commission is authorized to issue not to exceed \$150.0 million of Hoosier Notes for projects authorized by the General Assembly. It is anticipated that the Building Commission will issue Hoosier Notes for the public safety communications network.

Transportation Finance Authority. The TFA anticipates issuing an additional \$300.0 million of Highway Revenue Bonds or bond anticipation notes to finance highway construction projects in Fiscal Years 2004 and 2005.

Refundings. The State's Office of Public Finance monitors refinancing opportunities for the Building Commission, the TFA, the Recreation Commission and the Development Finance Authority. As a result, one or more of these issuers may issue refunding bonds from time to time to restructure outstanding indebtedness or achieve debt service savings.

Fee Replacement Appropriations to State Universities and Colleges

Since Fiscal Year 1976, the General Assembly has appropriated to each State university and college an amount equal to the annual debt service requirements due on qualified outstanding Student Fee and Building Facilities Fee Bonds and other amounts due with respect to debt service and debt reduction for interim financings (collectively, "Fee Replacement Appropriations"). The Fee Replacement Appropriations are not pledged as security for such bonds and other amounts. Under the State constitution, the General Assembly cannot bind subsequent General Assemblies to continue the present Fee Replacement Appropriations policy; however, it is anticipated that the policy will continue for outstanding bonds and notes.

The estimated aggregate principal amount of bonds and notes outstanding as of June 30, 2003 for each State university and college eligible for Fee Replacement Appropriations, and the amount of Fee Replacement Appropriations for Fiscal Years 2004 and 2005 are shown below.

Table V-4
Schedule of Fee Replacement Debt

	Estimated Amount of Debt Outstanding June 30, 2003	Fiscal Year 2004 Fee Replacement Appropriations	Fiscal Year 2005 Fee Replacement Appropriations
Ball State University	\$ 74,140,000	\$ 8,093,255	\$ 8,094,555
Indiana University ⁽¹⁾	434,815,778	53,554,738	53,904,523
Indiana State University	57,300,000	6,549,325	6,549,470
Ivy Tech State College	117,600,000	8,997,210	10,262,578
Purdue University ⁽²⁾	191,376,552	28,358,962	22,899,464
University of Southern Indiana	52,861,247	5,862,166	5,859,415
Vincennes University	<u>20,903,603</u>	<u>2,666,455</u>	<u>2,669,550</u>
Total	\$ <u>948,997,180</u>	\$ <u>114,082,111</u>	\$ <u>110,239,555</u>

⁽¹⁾ Includes its regional campuses other than Indiana University-Purdue University at Fort Wayne.

⁽²⁾ Includes its regional campuses other than Indiana University-Purdue University at Indianapolis.

Source: Indiana Commission for Higher Education

Contingent Obligations

Certain State-authorized entities, including the Indiana Transportation Finance Authority, Indiana Bond Bank and the Indiana Development Finance Authority, have issued obligations that, in certain circumstances, may include payment of State funds. Such payments, if needed, are not mandatory and no one may compel the General Assembly to appropriate moneys to make them. The leases and other obligations of such entities do not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

Transportation Finance Authority—Toll Road Financing. The TFA and its predecessors issued revenue bonds (“Toll Road Bonds”) to finance and refinance the construction and improvement of the 156-mile Indiana East-West Toll Road (the “Toll Road”) in northern Indiana, which links the Chicago Skyway and the Ohio Turnpike. For a list of the indebtedness of the TFA for Toll Road Financing, *see* “Schedule of Long-Term Debt—Contingent Obligations.”

The Indiana Department of Transportation (“INDOT”) entered into a lease agreement for the Toll Road (the “Toll Road Lease”) with the TFA. INDOT is obligated to fix and collect tolls to meet the requirements of the Toll Road Lease: (a) operating expenses; (b) rent to the TFA (for payment of debt service on Toll Road Bonds); and (c) expenses of major repairs, improvements and equipment. The base rent is subject to increase if debt service increases as a result of the issuance of additional Toll Road Bonds. Any excess revenues collected by INDOT are payable to the TFA as additional rent.

In the event Toll Road revenues are insufficient in any year to meet the requirements of the Toll Road Lease, INDOT is obligated under the Toll Road Lease to take steps to remedy the insufficiency, including increasing toll rates and reducing operating expenses. If such measures are inadequate, INDOT is required, within 30 days, to report the amount of the insufficiency to, and seek the approval of the State Budget Agency for a request to the General Assembly for an appropriation to the extent of such insufficiency. Nothing in the Toll Road Lease or in Indiana Code 8-9.5-8 or 8-15 creates a debt or an obligation that requires the State to make any appropriations to or for the use of the TFA or INDOT.

For a description of other powers and responsibilities of the TFA, including its authority to issue other debt, *see* “Obligations Payable from Possible State Appropriations—Transportation Finance Authority-Highway Financing” and “Transportation Finance Authority—Aviation Financing.”

Indiana Bond Bank. The Indiana Bond Bank (the “Bond Bank”), a body corporate and politic, was created in 1984 pursuant to Indiana Code 5-1.5. The Bond Bank is not a State agency and is separate from the State in both its corporate and sovereign capacity. The Bond Bank has no taxing power. The purpose of the Bond Bank is to buy and sell securities and to make loans to local governments and other qualified entities as defined in Indiana

Code 5-1.5-1-8. The Bond Bank is empowered to issue bonds or notes which are payable solely from revenues and funds that are specifically allocated for such purpose. Pursuant to Indiana Code 5-1.5-5, to assure maintenance of a debt service reserve in any reserve fund required for Bond Bank bonds or notes, the General Assembly may, but is under no obligation to, appropriate to the Bond Bank for deposit in one or more of such funds the sum that is necessary to restore that fund to its required debt service reserve. If at the end of any Fiscal Year the amount in any reserve fund exceeds the required debt service reserve, any amount representing earnings or income received on account of any money appropriated to the reserve fund that exceeds the expenses of the Bond Bank for that year may be transferred to the General Fund.

Bonds or notes issued by the Bond Bank with a debt service reserve under Indiana Code 5-1.5-5 are considered “moral obligation bonds”; however, bonds issued by the Bond Bank do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof under the State constitution. Particular sources are designated for the payment of and security of bonds and issued by the Bond Bank, and a debt service reserve fund replacement appropriation would only be requested in the event that the particular designated sources were insufficient.

By statute, the total amount of bonds and notes which the Bond Bank may have outstanding at any one time (except bonds or notes issued to fund or refund bonds or notes) is currently limited by statute to \$1.0 billion plus (a) not to exceed \$200.0 million for certain qualified entities that operate as rural electric membership corporations or as corporations engaged in the generation and transmission of electric energy and (b) not to exceed \$30.0 million for certain qualified entities that operate as telephone cooperative corporations. However, these limits do not apply to bonds or notes or other obligations not secured by a reserve fund that is subject to Indiana Code 5-1.5-5.

For a list of Bond Bank bonds that are eligible for debt service reserve fund replacement appropriations, *see* “Schedule of Long Term Debt—Contingent Obligations.”

Development Finance Authority. The Indiana Development Finance Authority (the “Development Finance Authority”), a body politic and corporate, was established in 1990 under Indiana Code 4-4-11 as successor to the Indiana Employment Development Commission, Indiana Agricultural Development Corporation and Indiana Export Finance Authority. The Development Finance Authority is not a State agency, but an independent instrumentality of the State exercising essential public functions. The public purposes of the Development Finance Authority are to (a) promote opportunities for gainful employment and business opportunities by the promotion and development of industrial development projects, rural development projects, mining operations, international exports and agricultural operations; (b) promote educational enrichment (including cultural, intellectual, scientific or artistic opportunities) by the promotion and development of educational facility projects; (c) promote affordable farm credit and agricultural loan financing for farming and agricultural enterprises; (d) prevent and remediate environmental pollution by the promotion and development of industrial development projects; and (e) promote affordable childcare financing.

The Development Finance Authority is permitted by law to issue conduit and certain other types of revenue bonds to finance projects that serve these public purposes. Except as listed in Table V-5, the Development Finance Authority’s revenue bonds are payable solely from revenues of the Development Finance Authority specifically pledged thereto. The bonds are not in any respect a general obligation of the Development Finance Authority or the State, nor are they payable in any manner from revenues raised by taxation. The Development Finance Authority has no power to levy taxes.

Pursuant to this authority, the Development Finance Authority issued taxable economic development revenue bonds for Steel Dynamics, Inc. (the “Steel Dynamics Bonds”), Qualitech Steel Corporation (the “Qualitech Bonds”), and Heartland Steel, Inc. (the “Heartland Bonds”). Each of these bond issues is secured in part by a debt service reserve fund established exclusively for the related bond issue. The Qualitech Bonds and the Heartland Bonds bear interest at a variable rate and are also secured by direct-pay letters of credit issued by a commercial bank. The Development Finance Authority agreed that the Development Finance Authority would seek appropriations from the General Assembly to fund debt service on the Steel Dynamics Bonds, the Qualitech Bonds and the Heartland Bonds under certain circumstances.

Qualitech Steel, the obligor on the Qualitech Bonds, and Heartland Steel, the obligor on the Heartland Bonds, are bankrupt, and a bankruptcy court has relieved them of their obligations to make debt service payments on their indebtedness. As a result, the Development Finance Authority is paying the Qualitech Bonds and the Heartland Bonds, using appropriations made by the General Assembly.

The Steel Dynamics Bonds have been redeemed and replaced with a loan from one or more commercial banks. The debt service reserve fund established for the Steel Dynamics Bonds remains in place, together with the Development Finance Authority's agreement to seek State appropriations to fund debt service under certain circumstances.

The Steel Dynamics Bonds financed a portion of the State's incentives for a substantial economic development project in DeKalb County. Steel Dynamics continues to operate that project. The Qualitech Bonds financed a portion of the State's incentives for a substantial economic development project in Hendricks County. Steel Dynamics purchased that project, and the Development Finance Authority anticipates that Steel Dynamics will begin additional production there upon completion of capital improvements and required permitting. (Steel Dynamics is in no way obligated to pay the Qualitech Bonds.) The Heartland Bonds financed a portion of the State's incentives for a substantial economic development project in Vigo County (Terre Haute). A multi-national steel company is now operating that project. (The multi-national steel company is in no way obligated to pay the Heartland Bonds.)

See Table V-5.

Debt Statement—Contingent Obligations

Table V-5 lists the long term debt classified as contingent obligations that was outstanding on June 30, 2003. Debt classified as a contingent obligation is debt for which the issuing entity has agreed to, under certain circumstances, request an appropriation from the General Assembly to replenish a debt service reserve fund. See “Schedule of Long Term Debt—Contingent Obligations.”

Table V-5
Schedule of Long Term Debt
Contingent Obligations

Issuer/Series	Original Par Amount	Ending Balance 6/30/02	(Redeemed)/ Issued	Ending Balance 6/30/03
Transportation Finance Authority				
Toll Road Bonds				
Series 1985	\$ 256,970,000	\$ 26,200,000	\$ -	\$ 26,200,000
Series 1987	184,745,000	44,340,000	-	44,340,000
Series 1993	76,075,000	39,175,000	(9,035,000)	30,140,000
Series 1996	134,795,000	132,090,000	(2,735,000)	129,355,000
ITFA TOTAL	\$ 652,585,000	\$ 241,805,000	\$ (11,770,000)	\$ 230,035,000
Bond Bank				
Special Program Pool				
Series 1993A	\$ 7,975,000	\$ 6,165,000	\$ (285,000)	\$ 5,880,000
Series 1993B	14,915,000	12,265,000	(865,000)	11,400,000
Series 1994B	8,475,000	6,420,000	(490,000)	5,930,000
Series 1995A	4,540,000	3,690,000	(180,000)	3,510,000
Series 1995A	13,280,000	11,385,000	(375,000)	11,010,000
Series 1997A	6,295,000	5,745,000	(175,000)	5,570,000
Series 1997B	22,855,000	20,385,000	(1,625,000)	18,760,000
Series 1997C	5,010,000	5,010,000	-	5,010,000
Series 1998A	6,485,000	6,085,000	(170,000)	5,915,000
Series 2000A	31,495,000	31,495,000	(695,000)	30,800,000
Series 2000A (Refunding)	32,860,000	15,185,000	(3,440,000)	11,745,000
Series 2001A (Refunding)	20,840,000	19,525,000	(1,285,000)	18,240,000
Series 2001A	7,055,000	6,945,000	(395,000)	6,550,000
Series 2001B	9,500,000	9,500,000	(460,000)	9,040,000
Series 2002A	42,910,000	42,910,000	(250,000)	42,660,000
Series 2002C	3,940,000	3,940,000	(95,000)	3,845,000
Series 2002D	60,000,000	-	58,910,000	58,910,000
Series 2002E	10,155,000	-	10,155,000	10,155,000
Series 2003A	8,885,000	-	8,885,000	8,885,000
Series 2003B	40,385,000	-	40,385,000	40,385,000
Series 2003C	10,425,000	-	10,425,000	10,425,000
IBB TOTAL	\$ 368,280,000	\$ 206,650,000	\$ 117,975,000	\$ 324,625,000
Development Finance Authority				
Qualitech Steel	\$ 33,100,000	\$ 27,500,000	\$ (1,200,000)	\$ 26,300,000
Steel Dynamics	21,400,000	16,500,000	(1,200,000)	15,300,000
Heartland Steel	13,800,000	11,900,000	(500,000)	11,400,000
IDFA TOTAL	\$ 68,300,000	\$ 55,900,000	\$ (2,900,000)	\$ 53,000,000
TOTAL ALL BONDS	\$ 1,089,165,000	\$ 504,355,000	\$ 103,305,000	\$ 607,660,000

Source: State Budget Agency (as of June 30, 2003)

Other Entities Issuing Debt

The following entities, although created or designated by the State, are authorities, instrumentalities, commissions, separate bodies corporate and politic, or not-for-profit corporations separate from the State. The entities may incur debt while exercising essential governmental or public functions. Any debt incurred by the entities is secured only by specific revenues and sources pledged at the time the debt is incurred and is neither direct nor indirect debt of the State. Any such debt does not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

<u>Entity</u>	<u>Statute</u>	<u>Purpose of Debt Issuance</u>
Board for Depositories	I.C. 5-13-12 Recodified 1987	Provide guarantees for industrial development or credit enhancement for Indiana enterprises
Indiana Educational Facilities Authority	I.C. 29-1263 Established 1979	Provide funds for projects to be leased to private institutions of higher learning
Indiana Health Facility Financing Authority ⁽¹⁾	I.C. 5-1-16 Established 1983	Provide health facilities with means for financing equipment and property acquisitions
Indiana Housing Finance Authority ⁽²⁾	I.C. 5-20-1 Established 1978	Provide funds for construction or mortgage loans for federally assisted multi-family or for low and moderate income residential housing
Indiana Political Subdivision Risk Management Commission	I.C. 27-1-29 Established 1986	Provide funds to aid political subdivisions protection against liabilities
Indiana Port Commission	I.C. 8-10-1 Established 1961	Provide funds to finance and construct, a broad variety of projects, including public ports, throughout Indiana
Indiana Secondary Market for Secondary Loans, Inc. ⁽³⁾	I.C. 20-12-21.2 Authorized 1980	Provide funds for secondary market for higher education loans
Intelenet Commission	I.C. 5-21-1 Established 1986	Provide funds for a State-wide integrated telecommunications network
Indiana State Fair Commission	I.C. 15-1.5-1 Established 1990	Provide funds for construction, repair and refurbishing of State fairgrounds
Indiana White River State Park Development Commission	I.C. 14-3-1 Established 1979	Provide funds for establishment and development of park, exposition, educational, athletic and recreational projects on the White River in downtown Indianapolis

⁽¹⁾ Originally the Indiana Hospital Equipment Financing Authority

⁽²⁾ Authorized to issue bonds, similar to the Indiana Bond Bank, that would be eligible for General Assembly appropriations to replenish the debt service reserve funds. The Indiana Housing Finance Authority has not issued and does not currently expect to issue any such bonds.

⁽³⁾ A not-for-profit corporation authorized by the General Assembly.

VI. STATE RETIREMENT SYSTEMS

There are four major State retirement systems: the Public Employees' Retirement Fund, the Indiana State Teachers' Retirement Fund, the State Judges' Retirement System and the State Police Fund. In addition, the State maintains and appropriates moneys to several other retirement plans. Under law, each board administering a retirement system is required to periodically make an actuarial investigation into the mortality, service and compensation or salary experience of the members of the system and their beneficiaries and make a valuation of the assets and liabilities of the retirement benefits in any year in which the retirement fund law is amended in any manner which affects the benefits payable.

Public Employees' Retirement Fund

The Public Employees' Retirement Fund ("PERF") has been in existence since 1945 to provide retirement, disability and survivor benefits for most State and local government employees. PERF is governed by Indiana Code 5-10.2 and 5-10.3 and is administered by a five member Board of Trustees appointed by the Governor. PERF is the State's largest pension fund and has management responsibility for pension assets of State employees, local

government units, the Judges' Retirement System, Legislators' Retirement System, Prosecutors' Retirement System, municipal police and fire units and State conservation and excise officials. On July 1, 2002, there were 205,898 active and retired members participating in PERF from State and local government with assets totaling \$7,953,029,893.

All State employees and all employees of participating political subdivisions in covered positions, including elected and appointed officials, are required to join PERF. The PERF benefit consists of (1) a pension formula benefit based upon years of service and final average salary, and (2) an additional benefit based upon the member's annuity savings account balance, derived from employee contributions. The employee contribution rate is defined by law as 3.0% of each employee's salary. Effective July 1, 1986, the State "picked up" and now pays the employee contributions for State employees to PERF.

Contributions are made to PERF by the State and local units determined by normal cost and amortizing the unfunded accrued liability of each unit during periods established pursuant to statute. Contribution rates are set by the PERF Board of Trustees based on annual actuarial valuations. The State is responsible for making contributions for State employee members only. Funding for PERF is included as part of the expenditures for fringe benefits by each State agency. The table below highlights the funded status and contribution history for the State portion of PERF for the last five valuation dates.

Table VI-1
Public Employees' Retirement Fund
(State-Related Portion Only)

As of July 1,	1998	1999	2000	2001*	2002
Funded Status					
Actuarial Value of Assets	\$1,626,450,185	\$ 1,828,584,443	\$ 1,960,018,018	\$ 2,063,626,964	\$ 2,061,789,940
Actuarial Accrued Liability	1,491,985,623	1,583,485,563	1,701,091,436	1,896,505,744	2,123,779,031
Unfunded/(Overfunded) AAS	(134,464,562)	(245,098,880)	(258,926,582)	(167,121,220)	61,989,091
Funded Ratio	109.0%	115.5%	115.2%	108.8%	97.1%
Contribution History					
Annual Required Contribution	\$ 81,545,985	\$ 67,481,016	\$ 61,761,627	\$ 66,559,482	\$ 72,332,921
Actual Employer Contribution	80,145,933	77,821,378	84,353,750	76,218,663	77,420,077
Contribution Rate**	5.7%	5.0%	5.0%	5.2%	5.6%

* Revised actuarial assumptions as a result of experience review completed in December 2001 for Plan years 1995-2000.

** Contribution rate is set using the most recently completed actuarial valuation to go into effect the next fiscal year.

Source: Actuarial Valuation Report, Public Employees' Retirement Fund of Indiana, July 1, 2002.

Other State Plans

The State appropriates moneys to several other retirement plans that are administered by the PERF Board of Trustees. These include the Judges' Retirement System, the Legislators' Defined Benefit Plan, the Excise Police and Conservation Enforcement Officers' Retirement Plan and the Prosecuting Attorneys' Retirement Fund. Table VI-2 highlights the actuarial valuation findings for these plans as of July 1, 2002.

Table VI-2
Other State Plans Pension Funds
Summary of Results of Actuarial Valuation
(as of July 1, 2002)

	Judge's Retirement System	Legislators' Defined Benefit Plan	Excise Police & Conservation Officers' Retirement Plan	Prosecuting Attorney's Retirement Fund
<u>Funded Status</u>				
Actuarial Value of Assets	\$ 121,155,082	\$ 4,446,211	\$ 37,359,789	\$ 11,957,364
Actuarial Accrued Liability	188,433,985	5,503,049	55,884,194	22,385,803
Unfunded/(Overfunded) AAL	67,278,903	1,056,838	18,524,405	10,428,439
Funded Ratio	64.3%	80.8%	66.9%	53.4%
<u>Contribution History*</u>				
Annual Required Contribution	\$ 10,320,300	\$ 205,540	\$ 2,047,201	\$ 906,543
Actual Employer Contribution	12,542,618	186,638	1,903,946	435,796

* Contribution History is for Plan Year 2002

Source: Actuarial Valuation Reports, July 1, 2002.

The PERF Board of Trustees also administers a local police officers' and firefighters' pension and disability fund for local police officers and firefighters hired after April 30, 1977. Benefits for the members of this plan have been funded on an actuarial basis through contributions from cities and towns and from plan members.

In addition, the PERF Board of Trustees administers a pension relief fund for those local police officers and firefighters hired before May 1, 1977. Benefits for the members of this plan have been funded on a "pay-as-you-go" basis, under which benefits are paid from current revenues provided by cities and towns and by plan members' contributions. Cities and towns receive pension relief funds from the State to reimburse them for a portion of benefit expenditures. To provide such pension relief, the State has dedicated a portion of the State's cigarette tax revenue, liquor tax revenue, Hoosier Lottery profits and investment earnings on the Public Deposit Insurance Fund. From time to time, the General Assembly has also appropriated general and dedicated funds to pension relief. During Fiscal Year 2002, \$168.8 million was expended from the pension relief fund, and on June 30, 2002, the pension relief fund balance was \$426.9 million.

State Teachers' Retirement Fund

The Indiana State Teachers' Retirement Fund ("TRF") administers a multiple-employer retirement fund established to provide pension benefits for persons who are engaged in teaching or in the supervision of teaching in the State's public schools. Membership in TRF is required for all legally qualified and regularly employed public school teachers. TRF provides retirement benefits, as well as death and disability benefits. Indiana Code 21-6.1 governs TRF, and TRF is administered by a five member Board of Trustees appointed by the Governor ("TRF Board"). On June 30, 2002, TRF had 115,456 total members with assets totaling \$5,722,753,180.

The TRF benefit consists of (1) a pension formula benefit based upon years of service and final average salary, and (2) an additional benefit based upon the member's annuity savings account balance, derived from employee contributions. The employee contribution rate is defined by law as 3.0% of each employee's salary. Effective July 1, 1986, each employer was authorized to elect to "pick up" the employee contribution.

For employees hired prior to July 1, 1995, moneys to pay retirement benefits are provided from State appropriations on a "pay as you go" basis. As a result, there is a substantial unfunded accrued liability in the TRF (the "Closed Plan").

To address TRF's unfunded liability, the State and the TRF Board took the following actions:

1. The State capped its pension benefit obligation by (a) shifting the obligation for all teachers hired after July 1, 1995 to local school districts and (b) implementing a level percent of payroll current funding approach (the “New Plan”). The TRF Board sets the contribution rate for the New Plan based on an actuarial valuation of the Plan.

2. The New Plan is intended to be responsible for the total cost of teachers transferring to other school corporations after 1995. The TRF Board began addressing the unfunded liability developing in the New Plan as a result of the impact of teacher transfers, by increasing the required payroll contribution rate to 9.0%, the rate recommended by TRF’s actuary.

3. In 1996, the State changed the State constitution to allow investment in equities, thereby increasing earnings potential for plan assets.

In addition, the State established the Pension Stabilization Fund to reduce future General Fund appropriations for TRF liabilities beginning in Fiscal Year 2006. Payments from the Pension Stabilization Fund were intended to equal the difference between (1) the then current year liability and (2) 106% of the prior year’s payment from the General Fund for the liability. As of June 30, 2002, the Pension Stabilization Fund balance was \$1.787 billion. The Pension Stabilization Fund was funded from General Fund, Hoosier Lottery and gaming revenues, as well as investment income.

To fund teacher pension obligations for Fiscal Years 2004 and 2005, the General Assembly authorized transfer of a total of \$380.0 million from the Pension Stabilization Fund to the General Fund. In addition, the General Assembly redirected Hoosier Lottery profits that otherwise would have been deposited in the Pension Stabilization Fund.

Table VI-3
Indiana State Teachers’ Retirement Fund

As of June 30,	1998	1999	2000	2001	2002
Funded Status of Closed Plan					
Actuarial Value of Assets	\$ 4,130,388,693	\$ 4,730,666,420	\$ 5,209,889,286	\$ 5,363,497,813	\$ 5,555,352,257
Actuarial Accrued Liability	11,481,766,668	12,172,501,450	12,409,275,218	12,695,787,691	13,497,778,031
Unfunded/(Overfunded) AAL	7,351,377,975	7,441,835,030	7,199,382,932	7,332,289,878	7,942,425,774
Funded Ratio	36.0%	38.9%	42.0%	42.2%	41.2%
Funded Status of New Plan*					
Actuarial Value of Assets	\$ 135,923,370	\$ 240,053,914	\$ 368,157,499	\$ 447,261,751	\$ 621,222,272
Actuarial Accrued Liability	298,407,427	498,422,993	705,790,225	838,038,282	1,166,883,205
Unfunded AAL	162,484,057	258,369,079	337,632,726	380,776,531	545,660,933
Funded Ratio	45.5%	48.2%	52.2%	54.0%	53.2%

* Total Unfunded Accrued Liability of the New Plan is primarily attributable to the transfer of members (and their accrued liabilities) from the Closed Plan.

Source: Indiana State Teachers’ Retirement Fund, The Report of the Annual Actuarial Valuation, June 30, 2002.

State Police Pension Trust

The State Police Pension Trust consists of two structures that provide retirement benefits to State police officers. The State makes contributions to the State Police Pension Trust from appropriations of General Fund and Motor Vehicle Highway Fund moneys. At present, members contribute and may borrow funds in an amount up to their contribution, subject to State Police Pension Advisory Board policies. Retirement benefits may not exceed one-half of either the member’s highest salary in 36 consecutive months or a third year trooper’s pay (depending upon the structure in which the member belongs), plus additions tied to years of service. Survivor and disability benefits may not exceed the basic pension amount. The State Police Pension Fund is funded on an actuarial basis. The Treasurer of State is custodian for such trust. Certain financial information about the State Police Pension Trust is also included in the Indiana Comprehensive Annual Financial Report. See “FISCAL POLICIES—Certain Financial Information Incorporated Herein by Reference; Availability from NRMSIRs, State.”

VII. ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Indiana is bordered on the north by Lake Michigan and the State of Michigan, on the south by the Ohio River and the Commonwealth of Kentucky, on the east by the State of Ohio, and on the west by the State of Illinois. The “Crossroads of America,” Indiana is within a day’s drive of nearly two-thirds of the United States’ population. Indiana benefits from proximity to major markets and population centers—both national and international. With 10,023 miles of State highways and 1,172 miles of interstate highways, Indiana has more interstate highways passing through it than any other state.

Indiana also benefits from a relatively low cost of living. The cost of living index for Indiana’s major cities has been consistently below the national average of 100. Indiana ranks favorably among the states in housing affordability and percent of home ownership. Electricity costs are comparatively low in Indiana. According to the U.S. Energy Information Administration, average electric utility rates during 2000 were 14.6% lower than the national average for all industrial consumers while residential energy bills were 17.2% lower than the national average.

During the past decade, Indiana’s economy grew in size and diversity. With an estimated 2001 Gross State Product of approximately \$189.9 billion, Indiana’s economy ranks sixteenth largest in the country in terms of the value of goods and services produced. The State ranks in the top five nationally for producing items as diverse as pharmaceuticals, medical equipment and surgical supplies, engines and parts, magnetic and optical media, household appliances, motor vehicle bodies and trailers, rubber products and steel. From 1992 to 2002, Indiana witnessed a significant shift in the distribution of employment between sectors. Employment in the Professional and Business Services sector increased by 45%, followed by a 27% gain in Education and Health Services and a 23% increase in Leisure and Hospitality. The Manufacturing sector is 20.4% of total employment in Indiana, a decrease from 23.4% in 1992, and is the largest single sector of employment in Indiana.

Population

Indiana is the 14th most populous state in the United States. Indiana’s population grew by 1.0% from 1980 to 1990 and 9.7% from 1990 to 2000. The capital and largest city is Indianapolis. From 1990 to 2000, population within the Indianapolis MSA increased 16.4%, making it the second fastest growing major metropolitan area in the Midwest.

Table VII-1
Population, including Selected Indiana MSAs

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>% Change 1980-2000</u>
Indiana	5,490,210	5,544,159	6,080,485	10.8%
Indianapolis MSA	1,166,575	1,249,822	1,607,486	37.8
Fort Wayne MSA	354,156	363,811	502,141	41.8
Evansville- Henderson MSA	235,403	235,946	251,366	6.8
Gary Primary MSA	642,733	604,526	631,362	-1.8
South Bend MSA	241,617	247,052	265,559	9.9
United States	226,542,199	248,709,873	281,421,906	24.2

Source: U.S. Census Bureau

**Table VII-2
Demographic Profile**

Age (Years)	<u>Indiana</u>		<u>United States</u>	
	<u>1990</u>	<u>2000</u>	<u>1990</u>	<u>2000</u>
Under 5	7.2%	7.0%	7.6%	6.8%
5-17	18.7	18.9	18.2	18.9
18-24	11.0	10.2	10.8	9.7
25-44	31.5	29.4	32.4	30.2
45-64	19.1	22.0	18.6	22.0
65 and older	12.6	12.4	12.5	12.4
Median Age	35.4 years	35.2 years	32.8 years	35.3 years

Source: U.S. Census Bureau

Employment

During this past decade, employment in Indiana shifted significantly between sectors, reflecting the fundamental changes taking place in the state's economy and following larger trends at the national level. Although manufacturing is still the largest sector of employment at 20.4% of total employment, it was the slowest growing sector from 1992 to 2002. The fastest growing sectors were Professional & Business Services, which grew by 45.1% from 1992 to 2002, followed by Education & Health Services (26.8% growth) and Leisure & Hospitality (22.6% growth). Indiana lost 19,600 jobs between December 2001 and December 2002, representing a 0.7% decline. Since 1988, Indiana's annual unemployment rate has remained below that of the United States.

**Table VII-3
Year-Ending Non-Farm Employment
(Seasonally Adjusted)**

<u>Year</u>	<u>Total Employment</u>		<u>% Change</u>		<u>Net New Jobs</u>
	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>
1992	2,580,400	109,266,000	2.5%	1.1%	64,000
1993	2,669,700	112,034,000	3.5	2.5	89,300
1994	2,757,200	115,918,000	3.3	3.5	87,500
1995	2,807,100	118,118,000	1.8	1.9	49,900
1996	2,836,700	120,916,000	1.1	2.4	29,600
1997	2,881,100	124,270,000	1.6	2.8	44,400
1998	2,952,900	127,297,000	2.5	2.4	71,800
1999	3,005,400	130,406,000	1.8	2.4	52,500
2000	2,975,700	132,319,000	-1.0	1.5	-29,700
2001	2,900,000	130,890,000	-2.5	-1.1	-75,700
2002	2,880,400	130,670,000	-0.7	-0.2	-19,600
Average Annual Growth Rate (1992-2002):			1.1	1.8	
Total Growth (1992-2002):			11.6	19.6	300,000

Source: U. S. Department of Labor, Bureau of Labor Statistics: *Current Employment Survey*

Table VII-4
Year-Ending Non-Farm Employment by Sector
(Seasonally Adjusted in Thousands)

<u>Sector</u>	<u>1992</u>	<u>% of Total</u>	<u>2002</u>	<u>% of Total</u>	<u>Growth 1992-2002</u>
Mining	7.2	0.3%	7.1	0.2%	-1.4%
Construction	116.7	4.5	137.5	4.8	17.8
Manufacturing	604.1	23.4	586.5	20.4	-2.9
Trade, Transportation & Utilities	527.9	20.5	579.0	20.1	9.7
Information	42.2	1.6	42.0	1.5	-0.5
Financial Activities	130.5	5.1	140.5	4.9	7.7
Professional & Business Services	169.0	6.5	245.2	8.5	45.1
Education & Health Services	277.6	10.8	352.0	12.2	26.8
Leisure & Hospitality	214.9	8.3	263.4	9.1	22.6
Other Services	100.8	3.9	109.1	3.8	8.2
Government	<u>389.5</u>	<u>15.1</u>	<u>418.1</u>	<u>14.5</u>	<u>7.3</u>
Total	<u>2580.4</u>	<u>100.0</u>	<u>2880.4</u>	<u>100.0</u>	<u>11.6</u>

Source: U. S. Department of Labor, Bureau of Labor Statistics: *Current Employment Survey*

Table VII-5
Unemployment Rate
(Annual Averages of Monthly Data)

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana as % of U.S.</u>
1992	6.6%	7.5%	88.0%
1993	5.4	6.9	78.3
1994	4.9	6.1	80.3
1995	4.7	5.6	83.9
1996	4.1	5.4	75.9
1997	3.5	4.9	71.4
1998	3.1	4.5	68.9
1999	3.0	4.2	71.4
2000	3.2	4.0	80.0
2001	4.4	4.7	93.6
2002	5.1	5.8	87.9

Source: U. S. Bureau of Labor Statistics: *Local Area Unemployment Survey*

Income

In 2002, Indiana's per capita personal income reached \$28,240, increasing 2.6% from 2001. During the past ten years, Indiana's personal income grew at an average annual rate of 3.94%. From 1992 to 2002, Indiana's median household income grew faster than that of the United States, averaging an annual growth rate of 1.66% for Indiana as compared to 1.15% for the United States. In 2002, median income was \$41,034 or 96% of the U.S. average, up from 92% in 1992.

Table VII-6
Growth in Per Capita Personal Income

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>	<u>U.S.</u>
1992	19,181	20,960	6.5 %	4.7 %
1993	19,982	21,539	4.2	2.8
1994	20,978	22,340	5.0	3.7
1995	21,623	23,255	3.1	4.1
1996	22,501	24,270	4.1	4.4
1997	23,418	25,412	4.1	4.7
1998	24,891	26,893	6.3	5.8
1999	25,543	27,880	2.6	3.7
2000	27,010	29,760	5.7	6.7
2001	27,522	30,413	1.9	2.2
2002	28,240	30,941	2.6	1.7
Average Annual Growth Rate (1992-2002):			3.94%	3.97%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table VII-7
Growth in Median Household Income
(Two-Year Average)

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>	<u>Indiana</u>	<u>U.S.</u>
1992	34,805	38,032	-0.1 %	-1.9 %
1993	35,417	37,784	1.8	-0.7
1994	34,236	37,904	-3.3	0.3
1995	35,711	38,712	4.3	2.1
1995	38,995	37,857	9.2	2.3
1997	41,126	40,284	5.5	1.8
1998	42,931	41,436	4.4	2.9
1999	43,283	42,764	0.8	3.2
2000	41,937	43,211	-3.1	1.0
2001	41,847	43,374	-0.2	0.4
2002	41,034	42,654	-1.9	-1.7
Average Annual Growth Rate (1992-2002):			1.66%	1.15%

Source: U.S. Census Bureau: *Current Population Survey*

Table VII-8
Poverty Rates

<u>Year</u>	<u>Indiana</u>	<u>U.S.</u>
1992	11.8%	14.8%
1993	12.2	15.1
1994	13.7	14.5
1995	9.6	13.8
1996	7.5	13.7
1997	8.8	13.3
1998	9.4	12.7
1999	6.7	11.9
2000	8.5	11.3
2001	8.5	11.7
2002	9.1	12.2

Source: U.S. Census Bureau: *Current Population Survey*

Gross State Product

With an estimated 2001 Gross State Product of approximately \$189.9 billion, Indiana's economy ranks fifteenth largest in the country in terms of the value of goods and services produced. Since 1991, Indiana's Gross State Product has grown at average annual rate of 5.2%.

Table VII-9
Gross State Product (GSP) and Gross Domestic Produce (GDP)
(Millions of Dollars, Current Dollars)

	<u>1981</u>	<u>1991</u>	<u>2001</u>	Average Annual Growth Rate <u>1991-2001</u>	<u>% of Total</u>
Indiana	63,848	114,188	189,919	5.2%	100.0%
Agriculture	2,098	1,670	2,458	3.9	1.3
Mining	531	577	668	1.5	0.4
Construction	2,590	5,273	9,971	6.6	5.3
Manufacturing	21,617	33,230	51,647	4.5	27.2
Transportation & Utilities	5,792	10,376	14,376	3.3	7.6
Wholesale Trade	3,843	6,905	11,636	5.4	6.1
Retail Trade	6,050	10,527	17,544	5.2	9.2
F.I.R.E.	7,903	14,966	27,224	6.2	14.3
Services	7,005	17,613	34,306	6.9	18.1
Government	6,421	13,050	20,089	4.4	10.6
United States	3,069,751	5,895,430	10,137,190	5.6	100.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Exports

In 2002, Indiana businesses exported \$14,923.0 million worth of goods to other countries, an increase of 3.9% from 2001. Since 1996, Indiana's exports have grown at an average annual rate of 5.2% as compared to 1.8% for the United States as a whole.

Table VII-10
Exports
(Millions of Dollars)

Year	<u>Exports in Millions of Dollars</u>		<u>Annual Percentage Change</u>		
	Indiana	U.S.	Indiana	U.S.	Indiana as a % of U.S. Exports
1996	10,983.6	622,827.1	- %	- %	1.8 %
1997	12,028.5	687,598.0	9.5	10.4	1.7
1998	12,318.1	680,474.2	2.4	(1.0)	1.8
1999	12,910.3	692,820.6	4.8	1.8	1.9
2000	15,385.8	780,418.6	19.2	12.6	2.2
2001	14,365.4	731,025.1	(6.6)	(6.3)	2.1
2002	14,923.0	693,257.3	3.9	(5.2)	2.2
Average Annual Growth Rate (1996-2002):			5.2	1.8	
Total Growth (1996-2002):			35.9	11.3	

Source: U.S. Census Bureau, Foreign Trade Division

Table VII-11
Indiana's Leading Export Industries and Destinations
(Millions of Dollars)

<u>Export Industries</u>		<u>Export Destinations</u>	
<u>Industry</u>	<u>2002 Exports</u>	<u>Country</u>	<u>2002 Exports</u>
Vehicles, excluding Railway	\$4,141.1	Canada	\$6,819.3
Machinery	3,215.4	Mexico	1,942.5
Electrical Machinery	1,356.3	United Kingdom	1,006.7
Optic/Medical Instruments	903.0	Japan	714.1
Organic Chemical	892.3	France	637.6
Plastic	627.2	Germany	525.1
Miscellaneous Chemical	562.6	Netherlands	295.3
Pharmaceutical	546.6	Singapore	252.7
Iron and Steel	209.9	Korea	244.7
Aluminum	207.7	Australia	227.8
Other	2,265.9	Other	2,257.2

Source: U.S. Census Bureau, Foreign Trade Division

VIII. LITIGATION

The following litigation liability survey is a summary of significant litigation and claims currently pending against the State of Indiana (the "State") involving amounts exceeding \$5.0 million individually or in the aggregate. With respect to tort claims only, the State's liability is limited to \$300,000 for injury or death of one person in any one occurrence, and \$5.0 million for injury or death of all persons in any one occurrence.

In July 1993, plaintiffs filed a lawsuit in Marion County Superior Court alleging that the State failed to pay certain similarly classed State employees at an equal rate of pay. The Court certified plaintiffs' class. Plaintiffs seek damages in an unspecified amount. If the plaintiffs are ultimately successful, the loss will be in excess of \$5.0 million.

In another case, a group of state employees filed a class action for damages and injunctive relief in Marion County Superior Court claiming violation of Plaintiffs' due process rights, statutory and contractual rights. Plaintiffs seek damages, back wages, and attorney fees and costs in excess of \$5 million. The court found in favor of the State but an appeal has been filed by Plaintiffs.

In a lawsuit filed against the State in January 1993, the Marion County Superior Court invalidated the portion of the Medicaid disability standard that permits the State not to assist applicants that have a medical condition that will improve with treatment when they are unable to pay for the treatment themselves. The Indiana Supreme Court denied transfer of the case, thus affirming the Superior Court's decision. Thus far, the State has paid approximately \$17.0 million in claims submitted by providers and recipients.

In 1993, certain transportation providers filed actions against the State, challenging the Medicaid reimbursement rules for transportation services. The State prevailed in both the state and federal trial courts, but plaintiffs, appealed. The State won the appeals, but the federal appeal resulted in a remand to the state court. If the rules are ultimately enjoined, the State will forfeit savings in excess of \$5.0 million.

In July 2000, a gaming corporation operating a riverboat casino challenged the Indiana Department of Revenue's interpretation of the Riverboat Gaming Tax. The potential financial impact of this case is between \$5.0 million and \$10.0 million, with additional impact because of the precedent it would have on other riverboat casino operations.

In December 2000, property owners filed an action against the State claiming that denial of a permit for certain land use was unconstitutional. Plaintiffs are seeking in excess of \$30.0 million in damages plus costs and attorney fees.

In May 2000, property owners along the Fawn River filed an action against the State for violations of the Clean Water Act, unconstitutional takings and federal civil rights violations. Plaintiffs are seeking in excess of \$38.0 million in damages, costs and attorneys' fees. The Federal District Court granted summary judgment in favor of the State. The matter is currently on appeal before the United States Court of Appeals for the Seventh Circuit.

In February 2001, plaintiffs brought a class action seeking injunctive relief to force the State to provide Medicaid-eligible children under the age of 21 who are eligible for the early and periodic screening, diagnostic and treatment program with residential mental health placement. While plaintiffs are not seeking monetary damages, a decision against the State would force the State to pay for residential placement for the class. The size of the class is unknown, but could include thousands of children and the ultimate cost to the State could exceed \$5.0 million. The Federal District Court granted summary judgment to plaintiffs on the Medicaid issue. The case is on appeal to the Seventh Circuit.

In April 2002, six federal retirees filed a class action claiming that Indiana's method of taxing federal employees' retirement benefits results in a greater collection of tax than is collected from other retirees who collect Social Security, allegedly violating federal statutes and the United States Constitution. The total exposure exceeds \$5.0 million.

In July 2002, a corporation filed a breach of contract action against the State alleging that the Indiana Department of Environmental Management failed to abide by the terms of an agreed order relating to cleanup costs. Plaintiff is seeking \$18.0 million in damages.

In August 2002, an accounting firm hired to conduct reassessment of real property in Lake County filed a breach of contract action. The firm seeks \$12.0 million. Plaintiff asserts that the State approved invoices, but then failed to abide by contractual provision requiring it to take steps to force Lake County to pay invoices submitted for payment.

In October 2003, a group of financial services companies filed a case claiming exemption from Indiana financial institutions tax. Exposure is approximately \$5.0 to \$6.0 million. An additional case making similar claims was also subsequently filed by another group of companies. Exposure is also approximately \$5.0 to \$6.0 million.

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APPENDIX B

DESCRIPTION OF HENDRICKS COUNTY, INDIANA

DESCRIPTION OF HENDRICKS COUNTY, INDIANA

Location

Hendricks County, Indiana (the "County") is contiguous to the western border of Indianapolis, Indiana. Danville serves as the County seat. The towns of Avon, Brownsburg, Danville and Plainfield are the major communities within the County and they serve as the centers of activity for the County. The County's proximity to Indianapolis provides many additional cultural, educational and employment opportunities.

Population-Employment

	Indiana	Hendricks County	% of Indiana
2000	6,080,485	104,093	1.71 %
1990	5,544,159	75,717	1.37
1980	5,490,210	69,804	1.27
1970	5,195,392	53,974	1.04
1960	4,662,498	40,896	0.88
1950	3,934,224	24,594	0.63

Source: STATS Indiana at www.stats.indiana.edu

Employment as of October, 2003

	United States	Indiana	% of US	Hendricks County	% of Indiana	% of US
Labor Force	146,793,000	3,212,900	2.19%	61,290	1.91%	0.04%
Employment	138,014,000	3,060,600	2.22%	58,830	1.92%	0.04%
Unemployment	8,779,000	152,300	1.73%	2,460	1.62%	0.03%
Unemployment Rate	6.0%	4.7%		4.0%		

Historic Unemployment Rate:

	Indiana	% Change	Hendricks County	% Change
2003	5.0 %	-1.63 %	3.9 %	12.62 %
2002	5.1	15.91	3.5	59.09
2001	4.4	37.50	2.2	37.50
2000	3.2	6.67	1.6	-
1999	3.0	-3.23	1.6	14.29
1998	3.1		1.4	

Source: U.S. Department of Labor at www.bls.gov/eag/eag.in.htm, www.bls.gov/news.release/empsit.n
Bureau of Labor Statistics at Indiana Department of Workforce Development at www.in.gov/dwd

Taxes

Assessed Valuation: \$5,930,641,321 for taxes payable in 2003 in Hendricks County.

Property Tax: \$2.1474 for taxes assessed in 2002 and payable in 2003 for the Town of Avon per \$100 of assessed valuation before property tax credit of approximately 23.664% (paid by the State from sales tax receipts). Household goods are exempt.

Sales & Use Tax: 6% tangible personal property except food and prescription drugs; Towns of Brownsburg and Plainfield food and beverage sales tax of 1%.

Individual Adjusted Gross Income Tax: 3.4% of earnings - \$1,000 annual exemption allowed for taxpayer and \$1,500 each dependent child.

Excise Tax: Cigarettes - 55.5 cents per package. Gasoline - 18 cents per gallon.

Innkeeper's: 5% additional tax on any overnight stay in Hendricks County.

Automobile Tax: Excise tax in lieu of personal property tax, based on initial retail price and age of vehicle.

County Adjusted Gross Income Tax: 1.00% of taxable income of Hendricks County residents.

County Economic Development Income Tax: .25% of taxable income of Hendricks County residents.

County Excise Surtax: Annual tax of 10% with a \$7.50 vehicle minimum on vehicles subject to state license excise tax.

County Wheel Tax: All trucks \$20.00 above State fee; all trailers \$15.00 above State fee; all buses \$10.00 above State fee; recovery vehicles \$20.00 above State fee; recreational vehicles \$10.00 above State fee.

Education

Hendricks County is served by six different school districts and five private schools which provide education for school-aged children, offering a comprehensive academic curriculum and a variety of extra-curricular activities.

These public schools and total enrollments are as follows:

<u>School District</u>	<u>2003/2004 Enrollment</u>
Avon Community School Corporation	6,350
Brownsburg Community School Corporation	5,899
Danville Community School Corporation	2,327
Mill Creek Community School Corporation	1,567
North West Hendricks Community School Corporation	1,577
Plainfield School Corporation	4,055

Source: Indiana Department of Education website mustang.doe.state.in.us/SEARCH/search.cfm

Colleges and Universities in the area include:

<u>Name</u>	<u>Location</u>
Butler University	Indianapolis, Indiana
University of Indianapolis	Indianapolis, Indiana
Indiana University-Purdue University (Indianapolis)	Indianapolis, Indiana
DePauw University	Greencastle, Indiana
Indiana University (Main Campus)	Bloomington, Indiana

Transportation

Highways: I-465, I-74 and I-70.

Utilities

Electricity: Cinergy/PSI Energy, Hendricks Power Cooperative and Indianapolis Power & Light Company.

Gas: Indiana Gas.

Water and Sewer: Brownsburg Water Department, Danville Water Company and Indianapolis Department of Waterworks.

Telephone: SBC.

Community Data

Airports: Indianapolis International Airport.

Area: 408 square miles

Churches: 29 churches representing virtually all denominations in the Danville area.

City Government: The County is governed by a three-member Board of Commissioners and a seven-member County Council. County Commissioners are elected by the vote of the entire County to four-year, staggered terms and are responsible for the administration of County affairs. Commissioners are elected from designated districts. As the County's fiscal body, Council members are responsible for the appropriation of County funds. They are likewise elected to four-year terms. Four Council members are elected from designated districts and three members are elected at large.

Climate: Moderate

Sheriff Protection: 42 sworn officers and 68 civilian vehicles.

Parks: Hendricks County is home to two public parks and two state parks within 30 miles of Danville. Each of the public parks provide a variety of activities including: picnic facilities, swimming pools, clay tennis courts, baseball and softball diamonds, a Little League ballpark, football fields, and over 50 acres of marked trails. The two state parks and a recreation area offer boating and fishing on large flood control reservoirs.

Source: Danville, Indiana Chamber of Commerce at www.danville.org

Recreation: Four recreational facilities in the County offer bumper boats, arcade games, miniature golf, batting cages, go-carts, and driving ranges. Indianapolis Raceway Park hosts over 100 annual events for NHRA, NASCAR, USAC and more. The Park is located on the eastern edge of Hendricks County, just seven miles west of the Indianapolis Motor Speedway.

There are eleven golf courses in Hendricks County. Two of the more popular courses are the West Chase Golf Club, which is nationally ranked and the award-winning golf course, Twin Bridges.

Source: Hendricks County Convention and Visitor's Bureau at www.tourhendrickscounty.com

Cultural: Hendricks County is home to a variety of cultural experiences from a winery to a classic movie theater. Plainfield is home to the award-winning Chateau Thomas Winery.

There are three theaters in the County, including the Hendricks County Civic Theater, the County's only live-action theater house, which plays host to musicals and dramas throughout the year.

The Hendricks County Historical Museum in Danville features pieces relating to agriculture, military history, domestic life and the history of education within the County. And the stretch of Old National Road (US Highway 40) running through Plainfield is recognized as a historical landmark.

Source: Hendricks County Convention and Visitor's Bureau at www.tourhendrickscounty.com

Voting Requirements: 18 years of age and 30 day residency requirement in State, township and precinct.

Lodging: 22 hotels and motels and 1 campground.

Newspapers: Coatsville Advertiser, Hendricks County Flyer, Hendricks County Flyer/Weekend Flyer – Bureau, Republican Newspaper.

Radio: WQFE FM.

Television: WXIN, WTHR, WISH, WRTV, Indianapolis.

Retail: According to 1997 census data, Hendricks County retail sales were \$756,476,000.

Healthcare

Hendricks County is home to Hendricks Community Hospital. The hospital is a 131-bed full service, acute care hospital with over 200 physicians representing over 30 specialties, and more than 85 percent are Board Certified. The hospital is currently undergoing a major expansion.

Business Data

Permit information for the unincorporated areas of Hendricks County:

	<u>Residential</u>	<u>% Change</u>	<u>Other</u>	<u>% Change</u>	<u>Total</u>	<u>% Change</u>
2003	1,254	-15.84 %	709	-1.94 %	1,963	-11.30 %
2002	1,490	43.96	723	-3.21	2,213	24.19
2001	1,035	38.93	747	3.18	1,782	21.31
2000	745	-22.15	724	-1.90	1,469	-13.33
1999	957		738		1,695	

Source: Hendricks County Planning & Building

Financial: Located in Hendricks County are the following banks with total deposits in Hendricks County and total deposits in Indiana as of June 30, 2003:

<u>Institution</u>	<u>Bank Deposits in Hendricks County</u>	<u>Bank Deposits in the State of Indiana</u>	<u>Market Share</u>
Lincoln Federal Savings Bank	\$ 173,954,000	\$ 310,679,000	14.56 %
Bank One National Association	150,669,000	10,418,264,000	12.61
National City Bank of Indiana	140,225,000	7,894,877,000	11.73
Hendricks County Bank & Trust Company	133,675,000	133,675,000	11.19
State Bank of Lizton	120,791,000	162,091,000	10.11

In addition to the above banks, the following banks also have offices in Hendricks County with market share greater than 3%: Huntington National Bank, Union Federal Bank of Indianapolis, North Saler State Bank, First Indiana Bank National Association, Monroe Bank, and Irwin Union Bank & Trust Company.

Source: FDIC at www.fdic.gov

EMPLOYMENT BY INDUSTRY

As of June, 2003

	<u>Indiana</u>		<u>Hendricks County</u>		% of
	<u>Employed</u>	<u>% of Total</u>	<u>Employed</u>	<u>% of Total</u>	<u>Indiana</u>
Forestry, Fishing, Related Activities, and Other	11,876	0.42 %	N/A	-	-
Mining	6,659	0.23	N/A	-	-
Utilities	15,946	0.56	921	2.62 %	5.7757 %
Construction	146,390	5.16	2,480	7.06	1.6941
Manufacturing	574,312	20.25	1,646	4.69	0.2866
Wholesale Trade	118,210	4.17	2,351	6.69	1.9888
Retail Trade	334,161	11.78	6,134	17.46	1.8356
Transportation and Warehousing	120,901	4.26	3,211	9.14	2.6559
Information	47,949	1.69	336	0.96	0.7007
Finance and Insurance	104,639	3.69	679	1.93	0.6489
Real Estate and Rental and Leasing	36,653	1.29	284	0.81	0.7748
Professional and Technical Services	85,736	3.02	843	2.40	0.9833
Management of Companies and Enterprises	27,085	0.96	201	0.57	0.7421
Administrative and Waste Services	142,236	5.02	1,538	4.38	1.0813
Educational Services	233,393	8.23	2,825	8.04	1.2104
Health Care and Social Assistance	334,276	11.79	3,376	9.61	1.0099
Arts, Entertainment, and Recreation	48,513	1.71	712	2.03	1.4676
Accommodation and Food Services	231,851	8.18	4,112	11.70	1.7736
Government and Government Enterprises	130,524	4.60	2,342	6.67	1.7943
Other Services	84,500	2.98	1,140	3.24	1.3491
Total Employment	<u>2,835,810</u>		<u>35,131</u>		1.24%

N/A - not shown to avoid disclosure of confidential information, but the estimates for this item are included in the total

Source: STATS Indiana at <http://www.stats.indiana.edu/>

Largest Area Employers

The largest employers in Hendricks County, Indiana and total number of employees as of December 2003 are:

Employer	Business	Approximate Number of Employees
Cinery/PSI	Utility	1,169
Brightpoint North America	Distribution Center	501
Galyans Trading Company, Inc.	Retail - Sporting Goods	444
Home Goods/TJX Companies	Distribution Center	400
Harlan Bagel Supply Company	Distribution Center	330
Ryder Logistics/Whirlpool	Distribution Center	325
Adesa Indianapolis, Inc.	Auto Auction	300
TNT Logistics North America	Distribution Center	300
Eby-Brown	Distribution Center	275
Puritan Bennett/Tyco Health Care	Distribution Center	250

Source: Access: Hendricks County at www.hendrickscounty.com

Source of Data and Information

Statistical data and other information set forth under the caption "DESCRIPTION OF THE COUNTY" have been compiled by the Indiana Bond Bank's Financial Advisor, Crowe Chizek and Company LLC, from sources deemed to be reliable.

APPENDIX C

HENDRICKS COUNTY AND HENDRICKS COUNTY REDEVELOPMENT COMMISSION DEBT, TAXATION AND OTHER FINANCIAL INFORMATION

DEBT AND TAXATION

Direct and Overlapping Debt (As of February 1, 2004)

	Total Direct Debt
<u>Direct Debt - Hendricks County Redevelopment Authority</u>	
Hendricks County Redevelopment Authority, Pittsboro Project, Series 2004*	\$ 17,590,000
Total Direct Debt	<u>\$ 17,590,000</u>

* Issued herein to refund \$17,490,000 Hendricks County Redevelopment Authority, Pittsboro Project, Series 1997.

Underlying Direct Debt & Lease Obligations

Hendricks County:	
1998 EDIT Refunding Revenue Bonds, Series 1998A	\$ 2,130,000
Fairgrounds Improvement Bonds**	20,000,000
Hendricks County Courthouse Building Corporation	6,285,000
Jail Building Corporation First Mortgage Refunding Bonds, Series 2002	2,330,000
Transportation Revenue Bonds, Series 2003	4,915,000
Avon Community School Corporation	98,790,859
Brownsburg Community School Corporation	180,335,000
Danville Community School Corporation	39,592,638
Mill Creek Community School Corporation	16,069,620
North West Hendricks School Corporation***	23,397,463
Plainfield Community School Corporation***	46,607,500
Brownsburg Library	4,955,000
Clayton-Liberty Township Library	1,055,000
Danville-Center Township Library	1,900,000
Plainfield-Guilford Township Library	<u>7,625,000</u>
Total Underlying Direct Debt and Lease Obligations	<u>\$ 455,988,080</u>
Total Direct and Underlying Direct Debt and Lease Obligations	<u><u>\$ 473,578,080</u></u>

** The County anticipates issuing an estimated \$20,000,000 of property tax supported bonds for fairground improvements in 2004

*** Data as of December 31, 2003

Note: School Corporation debt includes Common School Fund Loans

Direct Debt Issuance Limitation

The Hendricks County Redevelopment District is limited to the issuance of direct debt not to exceed 2% of one-third of the assessed valuation of property within the Redevelopment District.

The Bonds being issued herein are not subject to this limitation.

Total Redevelopment District Assessed Valuation - 2002/2003	\$3,427,036,862
2% of One-Third Thereof	\$ 22,846,912
Subject to Limitation:	
Direct Debt of the Redevelopment District	<u>-</u>
Issuance Margin	<u><u>\$ 22,846,912</u></u>

Per Capita & Debt Ratio Analysis

Redevelopment District Population - 2000

64,759

Redevelopment District Assessed Valuation (2002/03)

\$3,427,036,862

<u>Description</u>	<u>Amount</u>	<u>Debt Per Capita</u>	<u>Ratio of Debt / Assessed Valuation</u>
Total Direct Debt and Lease Obligations	\$ 17,590,000	\$ 271.62	0.51 %
Total Underlying Direct Debt & Lease Obligations	455,988,080	7,041.31	13.31
Total Direct & Underlying Debt	<u>\$ 473,578,080</u>	<u>\$ 7,312.93</u>	<u>13.82 %</u>

Total County Tax Rates

Analysis of County Tax Rates - Town of Avon

(Per \$100 Assessed Valuation)

Last Five Fiscal Years

	<u>Years Payable</u>				
	<u>2003 (1)</u>	<u>2002 (1)</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
County Rate					
Welfare					
Administration	\$ -	\$ -	\$ -	\$ -	\$ 0.0139
H.C.I	0.0033	0.0054	0.0166	0.0170	0.0183
Medical Assistance Wards	0.0008	0.0014	0.0043	0.0044	0.0047
Children Special Health Care Needs	0.0011	0.0019	0.0056	0.0055	0.0058
Family & Children	0.0043	0.0176	0.0705	0.0802	0.0812
County General	0.1301	0.1900	0.4241	0.5070	0.5668
Jail Lease	0.0116	0.0107	0.0457	0.0518	0.0494
Health	0.0070	0.0111	0.0753	0.0066	0.0472
Reassessment	0.0050	0.0085	0.0247	0.0252	0.0284
General Drain	0.0033	0.0067	0.0500	0.0498	0.0454
Cumulative Bridge	0.0219	0.0333	0.1200	0.0857	0.0857
Cum Capital Development	0.0178	0.0290	0.0869	0.0861	0.0861
Lease Rental	0.0176	0.0202	0.0602	0.0701	0.0762
Total County	<u>0.2238</u>	<u>0.3358</u>	<u>0.9839</u>	<u>0.9894</u>	<u>1.1091</u>
Town of Avon					
Corporation General	0.1834	0.3320	0.9960	0.9960	0.9400
Cumulative Capital Development	0.0305	0.0333	0.1000	0.1000	0.0500
Motor Vehicle	0.0167	-	-	-	-
Total Town of Avon	<u>0.2306</u>	<u>0.3653</u>	<u>1.0960</u>	<u>1.0960</u>	<u>0.9900</u>
State	0.0033	0.0033	0.0100	0.0100	0.0100
Washington Township	0.2181	0.2244	0.6426	0.7218	0.6548
School	1.4283	2.4111	6.8190	7.1828	6.9999
Library	0.0433	0.0662	0.2179	0.1966	0.2185
Total Tax Rate	<u>\$ 2.1474</u>	<u>\$ 3.4061</u>	<u>\$ 9.7694</u>	<u>\$10.1966</u>	<u>\$ 9.9823</u>

(1) The method of assessing real property in the State of Indiana was changed in 2001 resulting in assessed values of approximately three times prior years' assessed valuations and one-third of prior years' tax rates.

Source: Hendricks County, Indiana Tax Rate Sheets

Record of Taxes Levied and Collected

Hendricks County

Collection Year	Levied*	Current Collected	%
2003	\$ 10,979,289	\$ 10,982,794	100.0 %
2002	10,781,744	10,709,508	99.3
2001	9,994,481	9,950,734	99.6
2000	10,060,582	10,122,773	100.6
1999	7,767,743	7,767,204	100.0

* Levies are exclusive of levies for Jail and Administration Building lease obligations.

Source: Hendricks County Auditor

Net Assessed Valuation

For the 2001 Pay 2002 tax year and subsequent years, property is valued at True Tax Value rather than Assessed Value. This has generally resulted in net assessed valuations being approximately three times higher than prior years.

Year Taxes Payable	Hendricks County	Redevelopment District*
2003	\$ 5,930,641,321	\$ 3,427,036,862
2002	3,410,858,460	1,873,092,215
2001	1,076,072,970	597,071,085
2000	1,006,920,960	564,508,640
1999	892,086,970	520,423,980

* County assessed valuation less Brownsburg, Plainfield, and Danville which have their own Redevelopment Districts.

Source: Hendricks County Auditor

Largest Taxpayers

Hendricks County Redevelopment District

Taxpayer	Business	2003 Net Assessed Valuation	% of Total Assessed Valuation
Qualitech Steel Corporation*	Steel	\$ 29,856,330	0.871 %
Indianapolis Airport Authority	Airport	19,776,660	0.577
National Hot Rod Association	Championship Drag Racing	11,585,000	0.338
Air Liquide America Corporation	Manufacturer and Supplier of Gases	11,048,340	0.322
Menard Incorporated	Hardware	9,548,900	0.279
Meijer Incorporated	Retail Superstore	9,445,980	0.276
Meijer Stores LP	Retail Superstore	7,784,900	0.227
PSI Energy Incorporated	Utility	7,100,420	0.207
GATX Capital Corporation	Specialized Finance and Leasing	5,767,930	0.168

* The assets of Qualitech Steel Corporation, in the District, have been acquired by Steel Dynamics, Inc.

Source: Hendricks County Auditor

Hendricks County

Schedule of Total Governmental Funds Receipts and Disbursements

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>Revenues:</u>					
Taxes	\$ 27,773,963	\$ 25,607,334	\$ 20,887,803	\$ 20,357,632	\$ 18,321,682
Special Assessments	473,153	424,385	332,404	-	-
Licenses and Permits	761,854	467,543	365,315	402,413	448,977
Intergovernmental	5,885,224	5,586,966	7,309,397	6,598,889	5,411,385
Charges for Services	3,695,473	2,871,013	1,916,550	2,418,035	2,727,845
Fines and Forfeits	292,632	649,638	675,961	566,770	730,422
Miscellaneous	<u>4,936,699</u>	<u>4,278,259</u>	<u>3,635,553</u>	<u>3,012,102</u>	<u>1,828,949</u>
Total Operating Revenues	43,818,998	39,885,138	35,122,983	33,355,841	29,469,260
Other Receipts	687,819	-	555,880	-	-
Interfund Loan Payments Received	1,343,803	343,651	-	-	-
Transfers In	<u>203,404</u>	<u>783,021</u>	<u>244,604</u>	<u>1,175,969</u>	<u>247,152</u>
Total Revenue	<u>46,054,024</u>	<u>41,011,810</u>	<u>35,923,467</u>	<u>34,531,810</u>	<u>29,716,412</u>
<u>Expenditures:</u>					
Current					
General Government	16,573,032	15,354,347	13,852,602	9,776,661	8,988,180
Public Safety	7,672,488	6,956,857	6,223,792	6,024,737	5,700,842
Highways and Streets	3,712,523	3,690,506	4,258,345	4,306,976	4,203,771
Sanitation	-	-	-	96,951	-
Health and Welfare	3,246,035	3,180,359	3,198,328	3,417,967	3,290,312
Culture and Recreation	893,251	33,303	181,000	97,285	100,000
Urban Redevelopment and Housing	124,374	-	767,000	-	-
Capital Outlay	3,971,030	4,480,987	2,684,363	2,396,968	3,906,167
Debt Service:					
Principal	1,296,802	1,226,519	1,164,060	1,512,426	1,038,283
Interest and Paying Agent Fees	<u>801,303</u>	<u>862,542</u>	<u>897,193</u>	<u>956,651</u>	<u>750,586</u>
Total Current Expenditures	38,290,838	35,785,420	33,226,683	28,586,622	27,978,141
Other Disbursements	-	170,582	553,441	44,877	88,912
Interfund Loan Payments	1,343,803	343,651	-	-	-
Transfers Out	<u>203,404</u>	<u>783,021</u>	<u>244,604</u>	<u>2,848,214</u>	<u>1,631,771</u>
Total Expenditures	<u>39,838,045</u>	<u>37,082,674</u>	<u>34,024,728</u>	<u>31,479,713</u>	<u>29,698,824</u>
Excess (Deficiency) of Total Revenues Over (Under) Total Expenditures	<u>6,215,979</u>	<u>3,929,136</u>	<u>1,898,739</u>	<u>3,052,097</u>	<u>17,588</u>
Fund Balances at January 1	<u>26,511,552</u>	<u>22,582,416</u>	<u>20,683,677</u>	<u>17,635,290</u>	<u>17,594,993</u>
Fund Balances at End of Year	<u>\$ 32,727,531</u>	<u>\$ 26,511,552</u>	<u>\$ 22,582,416</u>	<u>\$ 20,687,387</u>	<u>\$ 17,612,581</u>

(1) A portion of the financial activity which occurred during 1998 was reclassified from the Agency Fund, a nongovernmental fund type, to the Special Revenue Fund, a governmental fund type.

(2) A portion of the financial activity which occurred during 1999 was reclassified from the Special Revenue Fund, a governmental fund type, to the Agency Fund, a nongovernmental fund type.

Source: Annual Financial Report filed with the State Board of Accounts

Hendricks County

Schedule of General Fund Receipts and Disbursements

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>Revenues:</u>					
Taxes	\$ 16,545,146	\$ 15,246,529	\$ 12,372,245	\$ 11,638,274	\$ 9,494,258
Licenses and Permits	637,371	366,507	292,050	308,679	363,759
Intergovernmental	207,724	164,117	289,817	309,747	294,980
Charges for Services	1,315,369	1,123,606	852,546	825,731	863,094
Fines and Forfeits	251,408	368,942	355,231	313,335	361,787
Miscellaneous	2,726,295	2,150,324	1,671,368	1,437,412	1,185,721
	<u>21,683,313</u>	<u>19,420,025</u>	<u>15,833,257</u>	<u>14,833,178</u>	<u>12,563,599</u>
Total Operating Revenues	21,683,313	19,420,025	15,833,257	14,833,178	12,563,599
Interfund Loan Payments Received	-	343,651	-	-	-
Transfers In	-	-	-	52,538	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,538</u>	<u>-</u>
Total Revenue	<u>21,683,313</u>	<u>19,763,676</u>	<u>15,833,257</u>	<u>14,885,716</u>	<u>12,563,599</u>
<u>Expenditures:</u>					
Current					
General Government	14,165,493	12,543,330	10,536,693	7,434,708	7,569,424
Public Safety	5,726,659	5,151,898	4,314,690	4,318,053	4,088,984
Health and Welfare	628,569	587,764	1,023,739	1,040,436	981,160
Culture and Recreation	20,296	33,303	181,000	97,285	100,000
	<u>20,541,017</u>	<u>18,316,295</u>	<u>16,056,122</u>	<u>12,890,482</u>	<u>12,739,568</u>
Total Current Expenditures	20,541,017	18,316,295	16,056,122	12,890,482	12,739,568
Other Disbursements	-	-	338,570	-	-
Transfers Out	-	-	-	1,425,150	1,064,116
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,425,150</u>	<u>1,064,116</u>
Total Expenditures	<u>20,541,017</u>	<u>18,316,295</u>	<u>16,394,692</u>	<u>14,315,632</u>	<u>13,803,684</u>
Excess (Deficiency) of Total Revenues Over (Under) Total Expenditures	<u>1,142,296</u>	<u>1,447,381</u>	<u>(561,435)</u>	<u>570,084</u>	<u>(1,240,085)</u>
Fund Balances at January 1	<u>3,200,462</u>	<u>1,753,081</u>	<u>2,314,516</u>	<u>1,744,432</u>	<u>2,984,517</u>
Fund Balances at End of Year	<u>\$ 4,342,758</u>	<u>\$ 3,200,462</u>	<u>\$ 1,753,081</u>	<u>\$ 2,314,516</u>	<u>\$ 1,744,432</u>

Source: Annual Financial Report filed with the State Board of Accounts

Sources of Data and Information

Statistical data and other information set forth under the caption "COUNTY DEBT AND TAXATION" have been compiled by the Indiana Bond Bank's financial consultant, Crowe Chizek and Company LLC, from sources deemed to be reliable.

APPENDIX D

FORM OF BOND COUNSEL OPINION

(Barnes & Thornburg)

March __, 2004

Indiana Bond Bank
Indianapolis, Indiana

Re: Indiana Bond Bank
Special Program Refunding Bonds, Series 2004 B
(Hendricks County Redevelopment Authority, Pittsboro Project)

Ladies and Gentlemen:

We have acted as bond counsel to the Indiana Bond Bank (the “Issuer”) in connection with the issuance by the Issuer of its Special Program Refunding Bonds, Series 2004 B (Hendricks County Redevelopment Authority, Pittsboro Project), dated March __, 2004 (the “Bonds”), in the aggregate principal amount of \$17,590,000, pursuant to Indiana Code 5-1.5, as amended, and the Trust Indenture, dated as of March 1, 2004 (the “Indenture”), between the Issuer and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer contained in the Indenture, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Series 2004 B Qualified Entity (as defined in the Indenture) and others, including, without limitation, certifications contained in the tax and arbitrage certificate of the Issuer, dated the date hereof, and the tax and arbitrage certificate of the Series 2004 B Qualified Entity, dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the legal opinion of Bingham McHale LLP, Indianapolis, Indiana, special counsel to the Issuer, dated the date hereof, as to the matters stated therein. We have relied upon the reports of Crowe Chizek and Company LLC, Indianapolis, Indiana, independent certified public accountants, dated the date hereof, as to the matters stated therein.

For purposes of this opinion, we have assumed, without making any factual, legal or other inquiry or investigation, and without expressing any opinion or stating any conclusion with respect thereto, that the interest on the Special Program Bonds, Series 1997B (Hendricks County Redevelopment Authority Pittsboro Project), dated May 1, 1997, issued by the Issuer, and the entire outstanding principal amount of which is to be defeased with, among other funds, a portion of the proceeds of the Bonds, is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the “Code”).

Based on the foregoing, we are of the opinion that, under existing law:

1. The Issuer is a body corporate and politic validly existing under the laws of the State of Indiana (the "State"), with the corporate power to enter into the Indenture and perform its obligations thereunder and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Issuer, and are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable solely from the Trust Estate (as defined in the Indenture).

3. The Indenture has been duly authorized, executed and delivered by the Issuer, and is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

4. Under Section 103 of the Code, interest on the Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in this paragraph is subject to the condition that each of the Issuer and the Series 2004 B Qualified Entity comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. Each of the Issuer and the Series 2004 B Qualified Entity has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

6. Interest on the Bonds is exempt from income taxation in the State for all purposes, except the State financial institutions tax.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement, dated March 3, 2004, or any other offering material relating to the Bonds.

We express no opinion regarding any tax consequences arising with respect to the Bonds, other than as expressly set forth herein.

With respect to the enforceability of any document or instrument, this opinion is subject to the qualifications that: (i) the enforceability of such document or instrument may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and similar laws relating to or affecting the enforcement of creditors' rights; (ii) the enforceability of equitable rights and remedies provided for in such document or instrument is subject to judicial discretion, and the enforceability of such document or instrument may be limited by general principles of equity; (iii) the enforceability of such document or instrument may be limited by public policy; and (iv) certain remedial, waiver and other provisions of such document or instrument may be unenforceable, provided, however, that in our opinion the unenforceability of those provisions would not, subject to the other qualifications set forth herein, affect the validity of such document or instrument or prevent the practical realization of the benefits thereof.

This opinion is given only as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain additional provisions of the Indenture not otherwise discussed in this Official Statement. This summary is qualified in its entirety by reference to the Indenture.

Accounts and Reports

The Bond Bank will keep proper and separate books of records and accounts in which complete and correct entries will be made of its transactions relating to the Funds and Accounts established by the Indenture. Such books, and all other books and papers of the Bond Bank, and all Funds and Accounts will at all reasonable times be subject to the inspection of the Trustee and the owners of an aggregate of at least 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Before the twentieth day of each month, the Trustee will provide the Bond Bank with a statement of the amounts on deposit in each Fund and Account as of the first day of that month and the total deposits to and withdrawals from each Fund and Account during the preceding month. The Bond Bank may provide for less frequent statements so long as such statements are supplied no less frequently than quarterly.

Preservation of Tax Exemption for the Bonds

In order to assure the continuing excludability of interest on the Bonds from the gross income of the owners thereof for purposes of federal income taxation, the Bond Bank covenants and agrees that it will not take any action or fail to take any action with respect to the Bonds, that would result in the loss of the exclusion from gross income for federal tax purposes of interest on any of the Bonds pursuant to Section 103 of the Code, nor will the Bond Bank act in any other manner which would adversely affect such exclusion and it will not make any investment or do any other act or thing during the period that the Bonds are Outstanding which would cause any of the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, all as in effect on the date of delivery of the particular Series of Bonds. Pursuant to the Indenture, all of these covenants are based solely on current law as in existence and effect on the date of delivery of the particular Series of Bonds. It will not be an Event of Default under the Indenture if the interest on the Bonds is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of the issuance of such Bonds.

In making any determination regarding the covenants, the Bond Bank may rely on an Opinion of Bond Counsel.

Covenants Concerning the Program

In order to provide for the payment of the principal of, premium if any, and interest on the Bonds and of Program Expenses, the Bond Bank will from time to time, with all practical dispatch and in a sound and economical manner in accordance with the Act, the Indenture and sound banking practices and principals (i) do all acts and things as are necessary to receive and collect Revenues (including the enforcement of the prompt collection of any arrears on all Qualified Obligation Payments), and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect the rights of the Bond Bank with respect to the Qualified Obligations and to enforce all terms, covenants and conditions of the Qualified Obligations. Whenever necessary in order to provide for the payment of principal of and interest on the Bonds, the Bond Bank will also commence appropriate remedies with respect to any Qualified Obligation which is in default.

Covenants with Respect to Qualified Obligations

With respect to the Qualified Obligations, the Bond Bank covenants as follows:

- (a) Not to permit or agree to any material change in any Qualified Obligation (other than ones for which consent of the Bond Bank is not required) unless the Bond Bank supplies the Trustee with a Cash Flow Certificate to the effect that, after such change, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, in each such Fiscal Year.
- (b) To the extent that such action would not adversely affect the validity of the Qualified Obligation or other obligations of the Qualified Entity, the Bond Bank will pursue the remedies set forth in the Act, particularly Indiana Code 5-1.5-8-5, for the collection of deficiencies in Qualified Obligation Payments on any Qualified Obligation by collection of such deficiencies out of certain State funds payable but not yet paid to a defaulting Qualified Entity.
- (c) To enforce or authorize the enforcement of all remedies available to the Bond Bank as the owner or holder of the Qualified Obligations, unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that, if such remedies are not enforced, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds in each such Fiscal Year; provided, however, that decisions as to the enforcement of remedies shall be within the sole discretion of the Trustee.
- (d) Not to sell or dispose of the Qualified Obligations, unless the Bond Bank first provides the Trustee with a Cash Flow Certificate to the effect that, after such sale, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, minus any proceeds of such sale or disposition transferred from any Fund or Account, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, in each such Fiscal Year.

Bond Bank's Covenant to Certify Debt Service Reserve Fund Delinquency

In the event that a deficiency in the Debt Service Reserve Fund is projected in the annual budget of the Bond Bank, the Chairman of the Board of Directors of the Bond Bank will certify such projected deficiency to the State General Assembly on or before August 1 of the Fiscal Year in which such deficiency is projected to occur. Further, regardless of whether any such deficiency was projected for its annual budget and regardless of the time at which such deficiency occurs or is projected to occur, the Bond Bank will take all actions required or allowed under the Act to certify any deficiency or projected deficiency in the Debt Service Reserve Fund to the State General Assembly.

Budgets

The Bond Bank will adopt and file with the Trustee, upon the written request of the Trustee, and appropriate State officials under the Act an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than June 1 of each year. The annual budget will be open to inspection by any Owner of Bonds. In the event the Bond Bank does not adopt an annual budget for the succeeding Fiscal Year on or before June 1, the budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for the succeeding Fiscal Year until the annual budget for such Fiscal Year has been duly adopted. The Bond Bank may at any time adopt an amended annual budget in the manner then provided in the Act.

Defeasance and Discharge of Lien of Indenture

If payment or provision for payment is made to the Trustee of the principal of and interest due and to become due on all of the Bonds then Outstanding under the Indenture, and if the Trustee receives all payments due and to become due under the Indenture, then the Indenture may be discharged in accordance with its provisions. In the event of any redemption of Bonds in accordance with their terms, the Trustee must receive irrevocable instructions from the Bond Bank, satisfactory to the Trustee, to call such Bonds for redemption at a specified date and pursuant to the Indenture in order for such Bonds to be deemed to be paid under the Indenture. Outstanding Bonds will continue to be a limited obligation of the Bond Bank payable only out of the moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid when (a) payment of the principal of that Bond, plus interest to its due date, either (i) has been made or has been caused to be made in accordance with its terms, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) moneys sufficient to make such payment, (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payments, or (3) a combination of such moneys and Governmental Obligations, and (b) all other sums payable under the Indenture, including the necessary and proper fees and expenses of the Trustee pertaining to the Bonds, have been paid or deposited with the Trustee.

Events of Default and Remedies

Any of the following events constitutes an “Event of Default” under the Indenture:

- (a) The Bond Bank defaults in the due and punctual payment of the principal of or interest on any Bond;
- (b) The Bond Bank defaults in carrying out any of its other covenants, agreements or conditions contained in the Indenture or in the Bonds, and fails to remedy such Event of Default within 60 days after receipt of notice, all in accordance with the Indenture;
- (c) Any warranty, representation or other statement by or on behalf of the Bond Bank contained in the Indenture, or in any instrument furnished in compliance with or in reference to the Indenture, is materially false or misleading when made, and there has been a failure to remedy such Event of Default within 60 days after receipt of notice, all in accordance with the Indenture;
- (d) The Bond Bank fails to make remittances required by the Indenture to the Trustee within the time limits prescribed in the Indenture;
- (e) A petition is filed against the Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within 60 days after such filing;
- (f) The Bond Bank files a voluntary petition in bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

- (g) The Bond Bank is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors, or a liquidator or trustee of the Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than 60 days;
- (h) The Bond Bank fails to restore the Debt Service Reserve Fund to the applicable Debt Service Reserve Requirement within 60 days after the end of the Fiscal Year during which a deficiency occurs; or
- (i) The Bond Bank is rendered incapable of fulfilling its obligations under the Indenture for any reason.

Upon the occurrence of an Event of Default, the Trustee will notify the Series 2004 B Bond Insurer and the Owners of Outstanding Bonds of such Event of Default and will have the following rights and remedies:

- (a) The Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest on Bonds outstanding under the Indenture, including any and all such actions arising under the Qualified Obligations.
- (b) The Trustee may by action at law or in equity require the Bond Bank to account as if it were the trustee of an express trust for the Owners of the Bonds, and may take such action with respect to the Qualified Obligations as the Trustee deems necessary, appropriate and in the best interest of the Bondholders, subject to the terms of the Qualified Obligations.
- (c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate under the Indenture and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment will confer. Notwithstanding the foregoing, for so long as the Series 2004 B Bond Insurance Policy is in full force and effect, in the event of any reorganization or liquidation plan with respect to the Bond Bank, the Series 2004 B Bond Insurer shall have the right to vote on behalf of the holders of the Series 2004 B Bonds.
- (d) By notice to the Bond Bank and the Attorney General of the State, the Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act. Notwithstanding the foregoing, for so long as the Series 2004 B Bond Insurance Policy remains in full force and effect, there will not be any acceleration of principal of, or interest on, the Series 2004 B Bonds unless the Trustee receives the express written consent of the Series 2004 B Bond Insurer prior to taking such action.

If an Event of Default has occurred, if requested to do so by the Owners of 25% or more in aggregate principal amount of the Bonds Outstanding under the Indenture, and if indemnified as provided in the Indenture, the Trustee will be obligated to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interest of the Bondholders; provided, however, that if the Series 2004 B Bond Insurance Policy is in full force and effect, the Trustee must receive the express written consent of the Series 2004 B Bond Insurer before exercising any such right or remedy in connection with the Series 2004 B Bonds.

The owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture will have the right, at any time during the continuance of an Event of Default, by a written instrument or instruments executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture. However, such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and, for so long as the Series 2004 B Bond Insurance Policy remains in full force and effect, the Trustee must receive the express written consent of the Series 2004 B Bond Insurer before conducting any such proceedings in connection with the Series 2004 B Bonds.

Waivers of Events of Default

At its discretion, the Trustee, with the consent of the Series 2004 B Bond Insurer (so long as the Series 2004 B Bond Insurance Policy remains in full force and effect), may waive any Event of Default and its consequences, and must do so upon the written request of the owners of (a) more than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all Bonds then Outstanding in respect of which an Event of Default in the payment of principal or interest exists, or (b) more than fifty percent (50%) in aggregate principal amount of all Bonds then Outstanding in the case of any other default. However, there may not be waived (i) any Event of Default in the payment of the principal of any Bond then Outstanding under the Indenture at the specified date of maturity or (ii) any Event of Default in the payment when due of the interest on any Bond then Outstanding under the Indenture, unless prior to the waiver, all arrears of interest or principal due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default is discontinued or abandoned or determined adversely, then the Bond Bank, the Trustee and the Bondholders will be restored to their former positions and right under the Indenture. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Rights and Remedies of Owners of Bonds

No owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or for any other remedy under the Indenture, unless (a) a Default has occurred, (b) such Default shall have become an Event of Default and the owners of not less than 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered the Trustee reasonable opportunity either to proceed to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name, (c) such owners of Bonds have offered to indemnify the Trustee, as provided in the Indenture, and (d) the Trustee has refused, or for 60 days after receipt of such request and offer of indemnification has failed, to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity must be carried out as provided in the Indenture and for the equal benefit of the owners of all Outstanding Bonds. However, nothing contained in the Indenture will affect or impair the right of any owner of Bonds to enforce the payment of the principal of and interest on any Bond at and after its maturity, or the limited obligation of the Bond Bank to pay the principal of and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner expressed in the Bonds.

2004 B Bond Insurer as the Sole Bondholder

For so long as the 2004 B Bond Insurance Policy remains in full force and effect, the 2004 B Bond Insurer will be deemed by the Trustee and the Bond Bank to be the sole holder or owner of the 2004 B Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2004 B Bonds are entitled to take under the Indenture upon the occurrence of an Event of Default.

Supplemental Indentures

The Bond Bank and the Trustee may, with the consent of the Series 2004 B Bond Insurer for so long as the Series 2004 B Bond Insurance Policy remains in full force and effect, but without the consent of or notice to any of the owners of Bonds, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity, formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the owners of Bonds then Outstanding any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, does not materially and adversely affect the interests of the Bondholders and does not otherwise require the unanimous consent of all Bondholders under the Indenture;
- (c) to subject to the lien and pledge of the Indenture additional Revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any Supplemental Indenture in order to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if the Bond Bank and the Trustee so determine, to add to the Indenture or to any Supplemental Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or similar federal statute;
- (e) to give evidence of the appointment of a separate or co-trustee, or the succession of a new Trustee or the succession of a new registrar and/or paying agent;
- (f) in connection with the issuance of Refunding Bonds;
- (g) to provide for the refunding of all or a portion of the Bonds; and
- (h) to amend the Indenture to permit the Bond Bank to comply with any future federal tax law or any covenants contained in any Supplemental Indenture with respect to compliance with future federal tax laws.

With the exception of Supplemental Indentures for the purposes described in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding which are affected (other than Bonds held by the Bond Bank) will have the right from time to time to consent to and approve the execution by the Bond Bank and the Trustee of any Supplemental Indenture deemed necessary and desirable by the Bond Bank or the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture, but only with the express written consent of the Series 2004 B Bond Insurer for so long as the Series 2004 B Bond Insurance Policy remains in full force and effect; provided, however, no Supplemental Indenture may permit or be construed as permitting, without the consent of the owners of all Bonds then Outstanding under the Indenture and the Series 2004 B Bond Insurer for so long as the Series 2004 B Bond Insurance Policy remains in full force and effect, (a) an extension of the stated date for maturity or redemption or a reduction in the principal amount of or redemption premium, or reduction on the rate or extension of the time of payment of the interest on, any Bonds, (b) a privilege or priority of any Bond or Bonds over any

other Bond or Bonds, (c) a reduction in the aggregate principal amount of the Bonds, the owners of which are required to consent to such Supplemental Indenture, (d) the creation of any lien securing any Bonds other than a lien ratably securing all of the Bonds at any time Outstanding, (e) a reduction in the Reserve Requirement, or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee, which shall also require the written consent of the Trustee.

Additional Provisions Regarding the Series 2004 B Bond Insurer

For so long as the Series 2004 B Bond Insurance Policy remains in full force and effect, the following provisions described below shall govern, notwithstanding anything to the contrary set forth in the Indenture:

- (a) The prior written consent of the Series 2004 B Bond Insurer shall be a condition precedent to the deposit of any Debt Service Reserve Fund Credit Facility other than the Series 2004 B Debt Service Reserve Fund Credit Facility provided in lieu of a cash deposit into the Debt Service Reserve Fund. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service on the Series 2004 B Bonds.
- (b) The Series 2004 B Bond Insurer will be deemed by the Trustee and the Bond Bank as the sole holder of the Series 2004 B Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2004 B Bonds are entitled to take pursuant to those provisions of the Indenture pertaining to defaults and remedies and the duties and obligations of the Trustee, if any. The Trustee shall take no action except with the consent, or at the direction, of the Series 2004 B Bond Insurer. The maturity of Bonds shall not be accelerated without the consent of the Series 2004 B Bond Insurer.
- (c) No grace period for a covenant default under the Indenture will exceed thirty (30) days, nor be extended for more than sixty (60) days, without the prior express written consent of the Series 2004 B Bond Insurer. No grace period shall be permitted for payment.
- (d) The Series 2004 B Bond Insurer will be included as a third party beneficiary of the covenants in the Indenture made by the Bond Bank for the benefit of the owners of the Series 2004 B Bonds.
- (e) Upon the occurrence of an extraordinary mandatory redemption in part, the selection of Series 2004 B Bonds to be redeemed shall be subject to the approval of the Series 2004 B Bond Insurer.
- (f) The rights granted to the Series 2004 B Bond Insurer under the Indenture to request, consent to or direct any action are rights granted to the Series 2004 B Bond Insurer in consideration of its issuance of the Series 2004 B Bond Insurance Policy. Any exercise by the Series 2004 B Bond Insurer of such rights is merely an exercise of the Series 2004 B Bond Insurer's contractual rights and should not be construed or deemed to be taken for the benefit or on behalf of the owners of the Series 2004 B Bonds nor does such action evidence any position of the Series 2004 B Bond Insurer, positive or negative, as to whether the consent of the owners of the Series 2004 B Bonds is required in addition to the consent of the Series 2004 B Bond Insurer.

- (g) To the extent the Series 2004 B Bonds are paid by the Series 2004 B Bond Insurer under the Series 2004 B Bond Insurance Policy, such Series 2004 B Bonds shall not be deemed paid for purposes of the Indenture and shall remain Outstanding and continue to be due and owing until paid by the Bond Bank in accordance with the Indenture.
- (h) The Indenture will not be discharged until all amounts due or to become due to the Series 2004 B Bond Insurer have been paid in full or duly provided for.
- (i) The Series 2004 B Bond Insurer shall, to the extent it makes any payment of principal or interest on the Series 2004 B Bonds become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2004 B Bond Insurance Policy.
- (j) The Series 2004 B Bond Insurer will be provided with the following information:
 - (1) Annual audited financial statements of the Bond Bank, if any, as soon as practicable after the end of each Fiscal Year;
 - (2) The Bond Bank's annual budget within thirty (30) days after its adoption;
 - (3) Notice of any draw upon the Debt Service Reserve Fund within two (2) business days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement; or (ii) withdrawals in connection with a refunding of the Series 2004 B Bonds;
 - (4) Notice of the occurrence of any default known to the Trustee within five (5) business days after knowledge thereof by the Trustee, including any default with respect to a Series 2004 B Qualified Obligation;
 - (5) Prior notice of any advance refunding or redemption of any of the Series 2004 B Bonds, including the principal amount, maturities and CUSIP numbers of such Series 2004 B Bonds;
 - (6) Notice of any resignation or removal of the Trustee, and the appointment of, and acceptance of duties by, any successor thereto;
 - (7) Notice of the commencement of any proceeding by or against the Bond Bank or the Series 2004 B Qualified Entity (if known by the Bond Bank) commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
 - (8) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2004 B Bonds;
 - (9) A full original transcript of all proceedings related to the execution of any amendment or supplement to the Indenture or the Series 2004 B Qualified Obligations; and
 - (10) All reports, notices and correspondence delivered under the Indenture or the Series 2004 B Qualified Obligations.

- (k) Each of the Bond Bank and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to perfect or otherwise preserve the priority of the pledge of the Trust Estate under State law.
- (l) The Bond Bank shall pay or reimburse the Series 2004 B Bond Insurer any and all charges, fees, costs and expenses which the Series 2004 B Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture or the Series 2004 B Qualified Obligation; (ii) the pursuit of any remedies under the Indenture or the Series 2004 B Qualified Obligation or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or the Series 2004 B Qualified Obligation whether or not executed or completed; (iv) the violation by the Bond Bank or the Series 2004 B Qualified Entity of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Indenture or the Series 2004 B Qualified Obligation or the transactions contemplated thereby, other than amounts resulting from the failure of the Series 2004 B Bond Insurer to honor its obligations under the Series 2004 B Bond Insurance Policy. The Series 2004 B Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or the Series 2004 B Qualified Obligation.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to payment of expenses of the Bond Bank or rebate only after the payment of debt service due and past due on the Series 2004 B Bonds, together with replenishment of the Debt Service Reserve Fund.

The Series 2004 B Bond Insurer shall be entitled to pay principal of or interest on the Series 2004 B Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Bond Bank (as such terms are defined in the Series 2004 B Bond Insurance Policy) and any amounts due on the Series 2004 B Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Series 2004 B Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Series 2004 B Bond Insurance Policy) or a claim upon the Series 2004 B Bond Insurance Policy.

- (m) To accomplish defeasance, the Bond Bank shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Series 2004 B Bond Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the Series 2004 B Bonds in full on the maturity or redemption date (“Verification”), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Series 2004 B Bond Insurer); (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2004 Bonds are no longer “Outstanding” under the Indenture, and (iv) a certificate of discharge of the Trustee with respect to the Series 2004 B Bonds. Each verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Bond Bank, the Trustee and the Series 2004 B Bond Insurer. The Series 2004 B Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five (5) business days prior to the funding of the escrow.

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APPENDIX F

DEFINITIONS

The following are definitions of certain terms used in the Official Statement, including its Appendices:

“Accounts” means the accounts created pursuant to the Indenture.

“Act” means the provisions of Indiana Code 5-1.5, as from time to time amended.

“Authorized Officer” means the Chairman, Vice Chairman or Executive Director of the Bond Bank or such other person or persons who are duly authorized to act on behalf of the Bond Bank.

“Bankruptcy Code” means the Bankruptcy Reform Act of 1978, as amended from time to time.

“Beneficial Owner” means any person that has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

“Bond Bank” means the Indiana Bond Bank, a public body corporate and politic, not a state agency, but an independent public instrumentality of the State exercising essential public functions, or any successor to its functions.

“Bondholder” or “holder of Bonds” or “owner of Bonds” or any similar term means the registered owner of any Bond.

“Bond Issuance Expense Account” means the account by that name created by the Indenture.

“Bonds” means the Series 2004 B Bonds and any Refunding Bonds.

“Cash Flow Certificate” means a certificate prepared by an accountant or firm of accountants in accordance with the Indenture concerning anticipated Revenues and payments.

“Code” means the Internal Revenue Code of 1986 in effect on the date of issuance of the Series 2004 B Bonds, and the applicable regulations or rulings promulgated or proposed thereunder, and any successor thereto.

“Costs of Issuance” shall mean items of expense payable or reimbursable directly or indirectly by the Bond Bank and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, underwriter’s discounts, legal fees and charges, professional consultants’ fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of the Bonds, bond or reserve fund insurance premiums, credit enhancements (including Credit Facilities) or liquidity facility fees, and other costs, charges and fees in connection with the foregoing.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and approved by the Bond Bank.

“Credit Facility” means any letter of credit, revolving credit agreement, surety bond, insurance policy or other agreement or instrument.

“Credit Provider” means the issuer of any Credit Facility and its successor in such capacity and their assigns. To qualify under the Indenture, the Credit Provider providing such Credit Facility shall be either:

(i) an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a rating category that is at least as high as the rating assigned to the Bonds by the rating agency or agencies rating the Bonds; or

(ii) a bank or trust company which at the time of issuance of such Credit Facility has an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a rating category that is at least as high as the rating assigned to the Bonds by the rating agency or agencies rating the Bonds.

“Debt Service Reserve Fund” means the fund by that name created by the Indenture.

“Debt Service Reserve Fund Credit Facility” means any Credit Facility issued or provided by a Credit Provider, (i) which may be deposited in a reserve account in the Debt Service Reserve Fund in lieu of or in partial substitution for cash or investment securities to be on deposit therein, and (ii) which shall be payable (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from such reserve account in which such Credit Facility is deposited and applied to the payment of the principal of or interest on any Bonds.

“Debt Service Reserve Fund Reimbursement Obligation” means any obligation to reimburse the Credit Provider of any Debt Service Reserve Fund Credit Facility for any payment made under such Debt Service Reserve Fund Credit Facility or any other obligation to repay any amounts (including, but not limited to, fees or additional interest) to the Credit Provider.

“Default” means an event or condition, the occurrence of which, with the lapse of time or the giving of notice or both, would become an Event of Default under the Indenture.

“Disclosure Agreement” means the Continuing Disclosure Agreement from the Series 2004 B Qualified Entity to each Bondholder and Beneficial Owner, which contains certain promises, including a promise to provide certain continuing disclosure.

“Escrow Agent” means The Bank of New York Trust Company, N.A.

“Escrow Agreement” means the Escrow Agreement, dated as of March 1, 2004, between the Bond Bank and the Escrow Agent providing for the defeasance of the Refunded Bonds.

“Escrow Account” means the Escrow Account created under the Escrow Agreement.

“Event of Default” means any occurrence of an event specified as such in the Indenture.

“Fees and Charges” means fees and charges established by the Bond Bank from time to time pursuant to the Act which are payable by the Series 2004 B Qualified Entity.

“Fiscal Year” means the twelve-month period from July 1 through the following June 30.

“Funds” means the funds created pursuant to the Indenture, except for the Rebate Fund.

“General Account” means the account by that name created by the Indenture.

“General Fund” means the fund by that name created by the Indenture.

“Governmental Obligations” means: (a) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series - “SLGs”); (b) direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities; (c) the interest component of Resolution Funding Corp. strips, which have been striped by request to the Federal Reserve Bank of New York in book-entry form; (d) pre-refunded municipal bonds rated “AAA” by Moody’s and “Aaa” by S&P; provided, however, if the issue is rated only by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or AAA rated pre-refunded municipals; and (e) obligations issued by the following agencies, which are backed by the full faith and credit of the United States: (i) United States Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership; (ii) Farmers Home Administration (FmHA) certificates of beneficial ownership; (iii) Federal Financing Bank; (iv) General Services Administration participation certificates; (v) United States Maritime Administration guaranteed Title IX financing; and (vi) United States Department of Housing and Urban Development (HUD) project notes, local authority bonds, new communities debentures - United States government guaranteed debentures, and United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds.

“Indenture” means the Trust Indenture, dated as of March 1, 2004, between the Bond Bank and The Bank of New York Trust Company, N.A., and all supplements and amendments thereto entered into pursuant thereto.

“Interest Payment Date” means any date on which interest is payable on the Bonds.

“Investment Agreement” means the Investment Agreement dated as of the date of closing, between CDC Funding Corp., a subsidiary of CDC Finance-CDC IXIS, a bank (*société anonyme*) governed by French law and the Trustee, as further identified in the Indenture.

“Investment Earnings” means earnings and profits (after consideration of any accrued interest paid and/or amortization of premium or discount on the investment) on the moneys in the Funds and Accounts established under the Indenture.

“Notice Address” means, with respect to a Qualified Entity, the Qualified Entity’s address given in connection with the sale of its Qualified Obligations to the Bond Bank, and, with respect to the Bond Bank, the Trustee and the Series 2004 B Bond Insurer:

Bond Bank:	Indiana Bond Bank 2980 Market Tower Indianapolis, Indiana 46204 Attention: Executive Director
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Trustee:	Before March 22, 2004: The Bank of New York Trust Company, N.A. 251 North Illinois Street, Suite 1000 Indianapolis, Indiana 46204 Attention: Corporate Trust Department
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On or after March 22, 2004:
The Bank of New York Trust Company, N.A.
300 North Meridian Street, Suite 910
Indianapolis, Indiana 46204
Attention: Corporate Trust Department

Series 2004 B Bond Insurer: Financial Security Assurance Inc.
350 Park Avenue
New York, New York 10022
Attention: Municipal Department

“Opinion of Bond Counsel” means an Opinion of Counsel by a nationally recognized firm experienced in matters relating to the tax exemption for interest payable on obligations of states and their instrumentalities and political subdivisions under federal law and which is acceptable to the Bond Bank and the Trustee.

“Opinion of Counsel” means a written opinion of Counsel addressed to the Trustee, for the benefit of the owners of the Bonds, who may (except as otherwise expressly provided in the Indenture) be Counsel to the Bond Bank or Counsel to the owners of the Bonds and who is acceptable to the Trustee.

“Outstanding” or “Bonds Outstanding” means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, including Bonds held by the Bond Bank, except:

- (1) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (2) Bonds deemed paid under the Indenture; and
- (3) Bonds in lieu of which other Bonds have been authenticated under the Indenture.

“Principal Payment Date” means the maturity date or the mandatory sinking fund redemption date of any Bond.

“Program” means the program for purchasing Qualified Obligations by the Bond Bank pursuant to the Act.

“Program Expenses” means all of the fees and expenses of the Trustee and costs of determining the amount rebatable, if any, to the United States of America under the Indenture, all to the extent properly allocable to the Program.

“Purchase Agreement” means a Qualified Entity Purchase Agreement between the Bond Bank and a Qualified Entity, pursuant to which one or more Qualified Obligations are sold to the Bond Bank.

“Purchase Contract” means the Bond Purchase Agreement, for the Series 2004 B Bonds between the Bond Bank and the Underwriters, dated March 3, 2004, the form of which was approved at the meeting of the Board of Directors of the Bond Bank on January 14, 2004.

“Qualified Entity” means an entity defined in IC 5-1.5-1-8, as amended from time to time, including the Series 2004 B Qualified Entity.

“Qualified Entity Reserve Requirement” means the least of (i) the maximum annual debt service on the Qualified Obligations, (ii) 10% of the original stated principal amount of the Qualified Obligations or (iii) 125% of the average annual debt service on the Qualified Obligations, which at the time of issuance of the Qualified Obligations means an amount equal to \$1,513,631.26.

“Qualified Obligation” means a Security (as that term is defined in the Act), including the Series 2004 B Qualified Obligations, which has been acquired by the Bond Bank pursuant to the Indenture.

“Qualified Obligation Interest Payment” means that portion of a Qualified Obligation Payment which represents the interest due or to become due on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Obligation Payment” means the amounts paid or required to be paid, from time to time, for principal of and interest on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Qualified Obligation Principal Payment” means that portion of a Qualified Obligation Payment which represents the principal due or to become due on a Qualified Obligation held by the Trustee pursuant to the Indenture.

“Rebate Fund” means the fund by that name created by the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding such Interest Payment Date.

“Redemption Account” means the account by that name created by the Indenture.

“Redemption Price” means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption prior to maturity.

“Refunded Bonds” means the Indiana Bond Bank Special Program Bonds, Series 1997B (Hendricks County Redevelopment Authority Pittsboro Project), dated May 1, 1997, originally issued in the aggregate principal amount of \$22,855,000 and currently outstanding in the aggregate principal amount of \$17,490,000.

“Refunding Bonds” means Bonds issued pursuant to the Indenture and any Supplemental Indenture.

“Reserve Requirement” means an amount equal to the least of (i) the maximum annual debt service on the Bonds, (ii) ten percent of the original stated principal amount of the Bonds, or (iii) 125 percent of average annual debt service on the Bonds, which at the time of issuance of the Series 2004 B Bonds means an amount equal to \$1,505,793.76, and thereafter, if less than such amount, shall be the maximum annual debt service on Outstanding Bonds in the present or any succeeding Fiscal Year.

“Revenues” means the Funds and Accounts and all income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture, including, without limitation, all Qualified Obligation Payments.

“S & P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, or any successor thereto.

“Series of Bonds” or “Bonds of a Series” or “Series” or words of similar meaning means any Series of Bonds authorized by the Indenture or by a Supplemental Indenture.

“Series 2004 B Bond Insurance Policy” means the insurance policy issued by the Series 2004 B Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2004 B Bonds when due.

“Series 2004 B Bond Insurer” means Financial Security Assurance Inc.

“Series 2004 B Bonds” means the Indiana Bond Bank Special Program Refunding Bonds, Series 2004 B (Hendricks County Redevelopment Authority, Pittsboro Project), issued pursuant to the Indenture.

“Series 2004 B Credit Provider” means Financial Security Assurance Inc.

“Series 2004 B Debt Service Reserve Fund Credit Facility” means the surety issued by the Series 2004 B Credit Provider on the date of initial delivery of the Series 2004 B Bonds relating to the Debt Service Reserve Fund.

“Series 2004 B Qualified Entity” means the Hendricks County Redevelopment Authority.

“Series 2004 B Qualified Obligations” means the Hendricks County Redevelopment Authority Lease Rental Revenue Refunding Bonds, Series 2004, dated March 18, 2004, and issued by the Series 2004 B Qualified Entity.

“State” means the State of Indiana.

“State’s Disclosure Agreement” means the Continuing Disclosure Undertaking Agreement, among the Bond Bank, the State and The Bank of New York Trust Company, N.A., as counterparty, which contains certain promises to the Bondholders and the Beneficial Owners, including a promise by the Bond Bank and the State to provide certain continuing disclosure.

“Supplemental Indenture” means an indenture supplemental to or amendatory of the Indenture, executed by the Bond Bank and the Trustee in accordance with the Indenture.

“Trustee” means The Bank of New York Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, with a principal corporate trust office located in Indianapolis, Indiana, or any successor thereto under the Indenture.

“Trust Estate” means the property, rights, and amounts pledged and assigned to the Trustee pursuant to the granting clauses of the Indenture.

“Underwriters” mean, with regard to the Series 2004 B Bonds, Fifth Third Securities, Inc. and Griffen, Kubik, Stephens & Thompson, Inc.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Counter signature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)